DAMAN INVESTMENTS

# Monthly Review, Asset Allocation & Outlook

January 2025

## Highlights of the Month

- Global markets started 2025 on a strong note with all major asset classes closing in green
- Global equities rallied with the MSCI All Country World Index closing the month up 3.3%
- In fixed income, Barclays Global Aggregate Index and Barclays Global High Yield went up by 0.6% and 1.4%, respectively
- 10Y US treasury yield fell 4 bps as it took a breather after witnessing a sharp rise in December
- Gold prices continued to rally gaining 6.6% MoM in January on safe haven appeal due to the rising risk of a trade war
- MENA equities witnessed a strong performance with S&P Pan Arab Composite up by 2.9%
- FTSE MENA Broad Bond Index was up 0.9% on MTD basis with new debt issuances picking up in January
- We retain an overweight allocation on equities and high-yield credit. We are underweight duration and bonds

## Global Review

Global markets started 2025 on a strong note with all major asset classes closing in green. Global equities outperformed with the MSCI All Country World Index closing the month up 3.3%. Fixed income witnessed heightened volatility as yields spiked on Trump's tariffs and immigration curb threats leading to higher inflation concerns. However, the volatility settled towards the month end on weaker than expected December US inflation print with US 10-year Treasury yield closing the month down 3bps to end at 4.54%. The Barclays Global Aggregate Bond Index gained 0.6%. High-yield bonds outperformed investment-grade bonds with the Barclays Global High Yield rising 1.4%.

The Federal Reserve (Fed) kept interest rates on hold in its January FOMC meeting. During the post meeting conference, Chair Jerome Powell said the central bank would need to see real progress on inflation or some weakness in the labor market before considering making any adjustments. The Bloomberg Commodity Index rallied 3.6%. Gold and other metal prices rose on the back of Trump's tariff threats. Oil prices benefitted from US sanctions on Russia, tariff threats on trading partners and cold winter weather in Northern Hemisphere. Gold price rose 6.6% to the close the month at $2798/ounce.

**Global Equities:**

Within equities, value outperformed growth with the MSCI All Country World Value Index rising 4.1% outperforming the Growth Index by 1.5%. The Growth Index underperformed on a decline in technology stocks. Artificial Intelligence (AI) related companies such as NVIDIA witnessed a steep fall on DeepSeek's claims that it had trained its generative AI to produce results comparable to ChatGPT but at a fraction of the cost. Such claims called into question the need for elevated investment in advanced AI chips and data centre capacity. Developed markets (DM) slightly outperformed the emerging markets (EM) with the MSCI World Index rising 3.5% and the MSCI Emerging Index gaining 3.3%. Emerging market recovered from sharp sell-off in December as dollar stabilized and Trump did not announce any Tariffs on China.

The S&P 500 Index gained 2.7% as investor sentiment was buoyed by Trump's "America First" policy. Information technology sector underperformed on DeepSeek challenging US leadership in AI. Communication Services, financials, materials and industrials were the best performing sectors. The corresponding sector indices rose 9.0%, 6.4%, 5.5% and 5.0%, respectively. The Russell 2000 Index, a small-cap Index of US stocks, rose 2.6%.

US Non-farm Payrolls increased 256,000 jobs during the month, well ahead of consensus expectations for 165,000. The unemployment rate was little changed at 4.1%, and wages grew 3.9% year over year. US CPI increased 0.4% MoM and 2.9% YoY, both readings were in line with expectations. Core CPI increased 0.2% MoM and 3.2% YoY, both readings were below expectations of 0.3% and 3.3%. MoM reading was lowest since August. Much of the move higher in the CPI came from a 2.6% gain in energy prices for the month, pushed higher by a 4.4% surge in gasoline. That was responsible for about 40% of the index's gain. Food prices also rose up 0.3% for the month. On an annual basis, food climbed 2.5% in 2024 while energy nudged down by 0.5%. Used car and truck prices jumped 1.2% while new vehicle prices also moved higher by 0.5%. Transportation services surged 0.5% and were up 7.3% YoY, while egg prices jumped 3.2%, taking the annual gain to 36.8%. Auto insurance rose 0.4% and was up 11.3% annually. Shelter prices, which comprise about one-third of the CPI weighting, rose by 0.3% but were up 4.6% from a year ago, the smallest one-year gain since January 2022. Services prices excluding rents rose 4% from a year ago, the slowest since February 2024.

Eurozone was the best performing market in DM with the MSCI Europe ex-UK Index up 6.9% MoM. The investor sentiment benefited from improvement in the macroeconomic data and rate cuts by ECB. The eurozone composite PMI edged into expansionary territory at 50.2 in January. Moreover, retail sales came in at 1.2% YoY for November, witnessing a fifth consecutive month of growth. UK equities rose in January with the FTSE 100 Index up 6.1% as the sharp depreciation in sterling acted as a tailwind due to three quarters of the Index's revenue being driven from abroad. Also, the rotation away from large cap US tech stocks benefited Eurozone and UK markets. Japanese equities lagged with the TOPIX Index rising only 0.1% as upwards pressure from yen on rate hike acted as a headwind for export-oriented equity market.

**Fixed Income:**

January 2025 was a positive month for bond investors with both High Yield bonds outperforming Investment Grade, with Bloomberg Global High Yield Index up 1.4% MoM and Bloomberg Global Aggregate Index (investment-grade) adding 0.6% through January.

This came on the back of the move higher in Treasuries thanks to signs of softer inflation and a delay in tariffs at the time, after an initial sell-off led by a strong labor market. However, a range of tariffs have now been implemented – US President Donald Trump imposed a 25% tariff on imports from Canada and Mexico, with an exception of a 10% tariff on Canadian energy. Besides, a 10% additional duty on Chinese products, 25% on steel and aluminum.

January saw the Treasury yield curve shift parallelly lower, albeit only marginally falling by ~3-5 bps across tenors. Treasury yields surged higher following the strong Non Farm Payrolls print, but then eased through the month as inflation concerns eased and Trump delayed the imposition of tariffs. US NFP for December saw job additions of 256k much higher than expectations of 165k, AHE YoY eased slightly by 3.9% from 4.0%. Looking at inflation, US CPI YoY rose 2.9%, in-line with expectations. However, Core CPI YoY eased to 3.2% from 3.3%, marking its first stepdown in four months. Meanwhile, manufacturing activity continued to contract, albeit with an improvement. The US ISM Manufacturing Index reading for December improved to a nine-month high of 49.3, with the Services PMI stayed upbeat at 54.1.

Global corporate dollar bond issuances stood at $407bn in January, 3x that of December. As compared to January 2024, issuance volumes were up 3% YoY. 87% of the issuance volumes came from IG issuers with HY comprising 12% and unrated issuers taking the remaining 1%. Within the region notable issuances were Saudi Arabia's $12bn three-trancher and Saudi PIF's $4bn two-trancher.

Emerging market (EM) bonds delivered positive returns in January. Both the Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) were up 1.1% and 0.7%, respectively.

Market Outlook: We anticipate that the U.S. Federal Reserve will significantly reduce the pace of rate cuts in 2025, as both the economy and labor market remain strong. Additionally, the inflationary impact of the Donald Trump presidency is expected to persist, driven by growth expectations, ongoing inflation, a potential rebound in U.S. manufacturing, higher tariffs, and larger fiscal deficits.

The latest FOMC dot plot forecasts an interest rate of 3.875% by the end of 2025, while the market, as reflected by Fed Funds Futures, expects a slightly higher rate of around 4%. We foresee a divergence between market expectations and the FOMC's dot plot in 2026-2027, driven by concerns over inflation.

We expect a pickup in bond yields especially on the long end of the curve due to expectations of rising fiscal deficits, and higher tariffs, but we see limited movement in the short end of the yield curve. The pickup in yields present a good opportunity to lock in higher yields across the investment grade and high yield space. We are overweight credit vs. rates.

Soft Landing Base Case: We anticipate a soft-landing scenario for the US economy, with slower moderation in inflation due to Trump policies. The "last mile" of the Fed's mandate to reduce inflation to 2%, may not be a linear path downwards. The pace of rate cuts is expected to slow down as growth and labour markets exhibiting significant robustness. We expect total rate cuts at the end of 2025 to be in the range of 1-2.

**EM Equities:** The MSCI EM Index was up 1.7% MoM. LATAM outperformed, gaining 9.4% MoM, followed by EMEA, which was up 4.5%. Asia was mostly muted, up 0.6% MoM. In LATAM, Brazilian stocks staged a major rally, gaining 12.3%, as investor sentiment improved on a strengthening Brazilian Real vs the USD and an improving interest rate outlook. Chile had its best start to the year since 1997, ending the month up 8.4%, after Congress approved a long-awaited pension reform. Chinese stocks had a muted month on tariffs concerns

**Commodities: Oil:** Brent oil was up 2.8% during the month, closing at $76.8/bbl. US sanctions on Russia, tariff threats on trading partners and cold winter weather in Northern Hemisphere helped take prices higher. Natural gas: Henry hub prices fell 16.2% MoM to reach USD 3.0/mmbtu.

**Petchems:** SE Asia LLDPE, PP, and LDPE rose 2.0%, 1.0%, and 0.9% respectively. HDPE was flat for the month while MEG was down 1.8% MoM. Given the overhanging weakness in oil prices, prices of polyolefins have moved based on short-term demand/supply dynamics.

**Metals:** Copper gained 3.2% while aluminum rose 2.6% MoM. Continued strong economic activity in USA, and uncertainty linked to tariffs led to the increase in prices. Precious metals: Gold prices were up 6.6% as investors flocked to the safe haven given rising risks of a trade war. Continued strong buying from global central banks and Chinese investors also led to the rally in gold.

**Currencies:** EM currencies (MSCI EM Currency Index) gained 0.8%, while the US Dollar (DXY Index) lost 0.1%. The Russian Ruble (+14.6%), and Brazilian Real (+5.6%) were the best-performing currencies.

**MENA Equities**: MENA markets began the year on a positive notee, with the S&P Pan Arab Composite Large Mid Cap Index up 2.9%. Kuwait's All Share Index outperformed, with gains of 5.7%, as investor sentiment turned positive on government reforms. Saudi Arabia's TASI rallied 3.1%, followed by a 1.8% gain for Abu Dhabi's FTSE ADGI. DFMGI and Qatar's DSM Index underperformed, with gains of 0.4% and 0.9% respectively.

In Abu Dhabi, ADCB's Q4 profit of AED 2.6bn was up 5% YoY as higher interest and non-interest income helped offset a growth in provisioning. The bank unveiled its new five-year strategy which included doubling its net profit by 2029, driven by double digit loan growth and progressively increasing its dividend YoY with a targeted dividend payout of AED 25bn over the next five years. Management also noted that the bank's international exposure is likely to range between 20-30% in the years ahead. ADIB's Q4 profit of AED 1.4bn dropped 2% YoY due to elevated provisioning and lower fees. Management guided for loan growth north of 10% in 2025 after a solid 22% YoY growth in 2024. In Dubai, Emirates NBD reported earnings of AED 4bn for Q4 2024, nearly flat YoY. NIMs tightened which impacted interest income and opex costs were also elevated. The bank proposed a DPS of AED 1 per share, which was lower than market expectations. Management spoke about their aspirations to grow their presence in three key international markets: Egypt, Saudi Arabia, Turkey and India, and eventually have a 5% market share in these countries.

In Saudi Arabia, Al Rajhi Bank reported profits of SAR 5.5bn, up 32% YoY. NIMs expanded by 6bps while loan growth was robust, at 7% for the quarter. SNB reported profits of SAR 5.6bn, up 12% YoY. NIMs were stable for the quarter while provisioning was low. Bank Alinma's Q4 net profit of SAR 1.5bn was up 16% YoY. Loan growth stood at 3% QoQ while NIMs weakened slightly. In Kuwait, NBK reported profits of KWD 143mn, up 10% YoY. Loan growth was decent at 2% QoQ but NIMs weakened both QoQ and YoY due to lower asset yields.

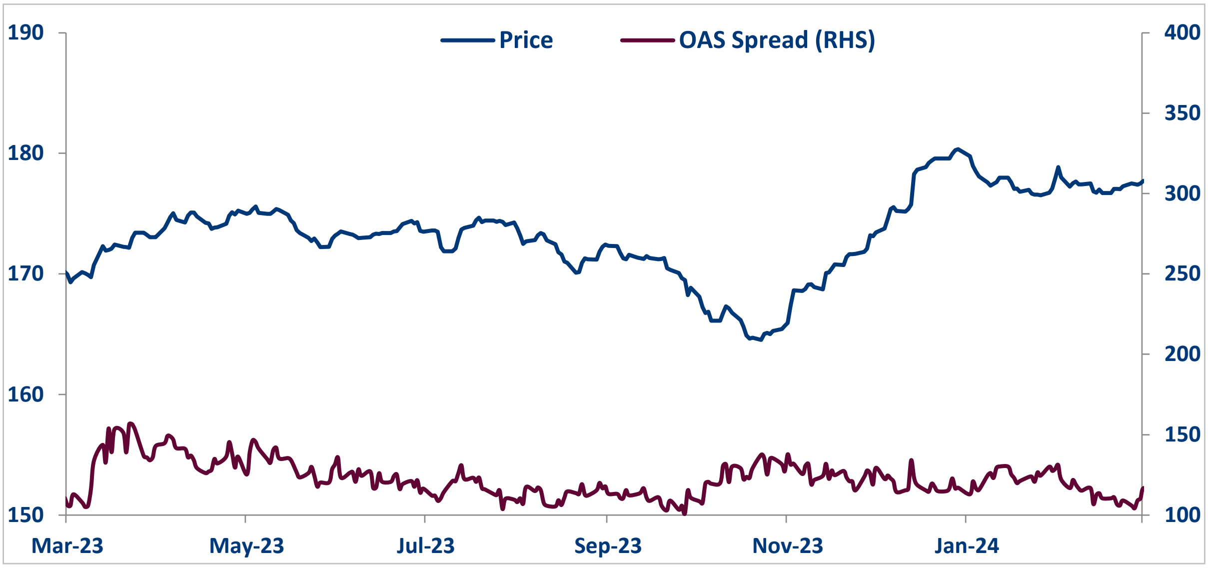
## Major Indices Performance

| Major Indices Performance | Value | MTD Return | YTD Return | PE (x) 1Yr Fwd | PB (x) 1Yr Fwd | Div. Yield 1Yr Fwd |
|---|---|---|---|---|---|---|
| Saudi Arabia - TASI | 12,415 | 3.1% | 3.1% | 17.2 | 2.4 | 3.8% |
| Dubai - DFMGI | 5,180 | 0.4% | 0.4% | 9.0 | 1.5 | 5.4% |
| Abu Dhabi - FADGI | 9,586 | 1.8% | 1.8% | 15.7 | 2.0 | 3.7% |
| Qatar - DSM | 10,667 | 0.9% | 0.9% | 11.5 | 1.3 | 5.0% |
| Kuwait - All Share | 7,785 | 5.7% | 5.7% | 12.8 | 1.4 | 4.1% |
| Oman - MSM30 | 4,543 | -0.7% | -0.7% | 9.7 | 0.6 | 6.1% |
| Bahrain - BHSEASI | 1,879 | -5.4% | -5.4% | 14.3 | 0.6 | 3.9% |
| Egypt - EGX30 | 30,011 | 0.9% | 0.9% | 6.8 | 1.8 | 2.8% |
| Morocco - MOSENEW | 16,248 | 10.0% | 10.0% | 21.9 | 3.0 | 2.6% |
| S&P Pan Arab Composite | 174 | 2.9% | 2.9% | 14.7 | 2.1 | 3.7% |
| Israel - TA35 | 2,449 | 2.2% | 2.2% | 12.9 | 2.0 | 1.8% |
| Turkey - XU100 | 10,004 | 1.8% | 1.8% | 6.2 | 0.8 | 3.6% |
| Pakistan - KSE100 | 114,240 | -0.6% | -0.6% | 6.5 | 1.2 | 5.8% |
| S&P 500 | 6,041 | 2.7% | 2.7% | 26.5 | 5.2 | 1.3% |
| STOXX 600 | 540 | 6.3% | 6.3% | 15.7 | 2.1 | 3.3% |
| MSCI EM | 1,093 | 1.7% | 1.7% | 14.1 | 1.8 | 2.7% |
| MSCI All Country World | 869 | 3.3% | 3.3% | 21.5 | 3.3 | 1.8% |
| MSCI World | 3,837 | 3.5% | 3.5% | 22.7 | 3.7 | 1.7% |

| Major Indices Performance | Value | MTD Change | YTD Change |
|---|---|---|---|
| Barclays GCC Credit +HY Index | 185 | 0.7% | 0.7% |
| FTSE MENA Broad Bond Index | 171 | 0.9% | 0.9% |
| Dow Jones Sukuk | 97 | 0.2% | 0.2% |
| Barclays Global Aggregate Index | 466 | 0.6% | 0.6% |
| Barclays Global High Yield Index | 1,685 | 1.4% | 1.4% |
| Barclays US Treasury Index | 2,302 | 0.5% | 0.5% |
| Barclays US Corporate Index | 3,308 | 0.6% | 0.6% |
| Barclays US Corporate High Yield index | 2,720 | 1.4% | 1.4% |
| JPM EM Global Bond Index | 613 | 1.3% | 1.3% |
| Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index | 1,261 | 1.06% | 1.1% |
| Bloomberg Barclays US Aggregate Bond Index | 2,201 | 0.5% | 0.5% |
| Markit CDX Emerging Markets Index | 97 | 0.6% | 0.6% |
| Barclays EM High yield | 1,628 | 1.6% | 1.6% |
| Barclays EM Corporate Index | 301 | 0.9% | 0.9% |
| 10-year US Treasury yield* (%) | 4.54 | -3 | -3 |
| 30-year US Treasury yield* (%) | 4.79 | 1 | 1 |
| US Treasury 2-10 Spread* | 33.75 | 1 | 1 |
| US Treasury 2-30 Spread* | 58.55 | 4 | 4 |
| 10-year US Treasury Real yield* (%) | 2.11 | -12 | -12 |
| 10-year Germany Treasury yield* (%) | 2.46 | 9 | 9 |
| US Breakeven 10 Year* | 2.43 | 9 | 9 |
| 10-year Saudi Arabia Govt USD Bond yield* (%) | 5.32 | -4 | -4 |
| 8-year Abu Dhabi Govt USD Bond yield* (%) | 4.90 | -12 | -12 |
| 4-year Kuwait Govt USD Bond yield* (%) | 4.80 | -20 | -20 |
| 9-year Oman Govt USD Bond yield* (%) | 5.70 | -4 | -4 |
| 10-year Bahrain Govt USD Bond yield* (%) | 6.74 | -18 | -18 |
| 7-year Qatar Govt USD Bond yield* (%) | 4.66 | -1 | -1 |
| 10-year Egypt Govt USD Bond yield* (%) | 9.73 | -17 | -17 |
| EIBOR 3M* (%) | 4.27 | -18 | -18 |
| QAIBOR 3M* (%) | 4.65 | -3 | -3 |
| Dubai 5 Year CDS* (bps) | 60 | -3 | -3 |
| Qatar 5 Year CDS* (bps) | 39 | -4 | -4 |
| 2-year US Treasury yield* (%) | 4.20 | -4 | -4 |

*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) | 76.76 | 2.8% | 2.8% |
| Natural Gas (USD/mmbtu) | 3.04 | -16.2% | -16.2% |
| Gold (USD/Ounce) | 2,798 | 6.6% | 6.6% |
| Copper (USD/MT) | 8,928 | 3.2% | 3.2% |
| Aluminium (USD/MT) | 2,592 | 2.6% | 2.6% |
| Nickel (USD/MT) | 15,003 | -0.7% | -0.7% |
| Urea Middle East (USD/MT) | 408 | 12.4% | 12.4% |
| Methanol China (USD/MT) | 302 | -3.8% | -3.8% |
| SE Asia Polyethylene (USD/MT) | 970 | 0.0% | 0.0% |
| Polypropylene (USD/MT) | 990 | 1.0% | 1.0% |
| US Dollar Index | 108.37 | -0.1% | -0.1% |
| MSCI EM Currency index | 1,742.20 | 0.8% | 0.8% |
| JPM EM Currency index | 43.50 | 1.6% | 1.6% |
| EGP/USD | 0.020 | 1.0% | 1.0% |
| TRY/USD | 0.028 | -1.1% | -1.1% |
| PKR/USD | 0.359 | -0.1% | -0.1% |
| ILS/USD | 0.279 | 1.6% | 1.6% |
| EUR/USD | 1.04 | 0.1% | 0.1% |
| GBP/USD | 1.24 | -1.0% | -1.0% |
| USD/JPY | 155.19 | -1.3% | -1.3% |

# Global Asset Allocation and Outlook

## Global Asset Allocation and Outlook

We believe with Trump winning the election, 10-year yield could test the 2023's high of 5%. The rise in yield would be driven by rising inflation expectations tied to a more expansionary fiscal policy on the expected extension of 2017 corporate tax cut and a potential for a further tax cut to 15% from 21% currently, a rise in trade tariffs and reducing illegal immigration. **As a result, we are remaining underweight on duration and bonds.**

With soft landing as our base case scenario, we continue to advocate an overweight allocation to equities and high-yield credit. We believe market can tolerate a 5% yield as long as economic growth remains strong.

Trump policies such as deregulation (lower regulation on banks), fewer antitrust cases on big tech, less scrutiny on M&As and allowing increased production of fossil fuels are expected to positively impact the US stocks. We expect cyclical stocks (such as industrials and financials) and small caps to be key beneficiaries of such policies. Although the labor moderate further, consumer sentiment will continue to remain resilient. We expect the reduced Fed rate cut expectations, recent rise in US dollar and potential for increased trade tensions to weigh on the EM equities. Hence, we stay overweight on DM and equalweight on EM. With in DM we are overweight US and underweight Europe.

In scenarios where the Fed is cutting rates and the economy is not in recession, the S&P 500 tends to show an average return of +10% over the next year. One of the best cases of soft landing was in 1995 when the S&P 500 gained 23% post the Fed's first rate cut. Focus will also shift to earnings next year where the market expects S&P 500 EPS to grow 13% YoY. Given the stretched 2025e PE multiple of 22.5x we expect earnings growth to be a primary driver of S&P 500 return in 2025. Along with tech healthcare, industrials and materials sectors are expected to show low double digit to high teen earnings growth.

DeepSeek's claims of developing generative AI model with comparable performance to ChatGPT with a fraction of cost looks premature. However, we believe even if the cost is 40-50% less, its is very positive for the global AI adoption which would benefit all companies in AI value Chain including NVIDIA.

## Asset Allocation

| | Underweight | Neutral | Overweight |
|---|---|---|---|
| **By Asset class:** | | | |
| Equities | | | ■ |
| Fixed Income | ■ | | |
| Alternatives | | ■ | |
| Cash | ■ | | |
| **Equities - by region:** | | | |
| DM | | | ■ |
| US | | | ■ |
| Japan | ■ | | |
| Euro Area | ■ | | |
| EM | | ■ | |
| EM Asia | | ■ | |
| EM Europe | ■ | | |
| EM MENA | | | ■ |
| EM LatAm | | ■ | |
| **Fixed Income - by region:** | | | |
| South Asia | | | ■ |
| Far East Asia | | ■ | |
| Latin America | | | ■ |
| MENA | | | ■ |
| Sub-Saharan Africa | ■ | | |
| Central & Eastern Europe | ■ | | |
| **Fixed Income - Rates, Spreads and Duration** | | | |
| Rates | ■ | | |
| Spreads | | ■ | |
| Duration | ■ | | |
| **Fixed Income - Credit:** | | | |
| Global Investment Grade | ■ | | |
| Global High Yield | | | ■ |

## Global Asset Allocation and Outlook

**Global Equites:**

•In equities, we believe a proper bottom-up analysis is important to own quality stocks with solid balance sheets, high operating cash flows and contained leverage to protect from market volatility tied to fluctuation in macroeconomic data and reset of rate cut expectations

•We see a diversified portfolio with a dividend yield cushion to be better equipped to face market volatility. We see a barbel portfolio split between technology and cyclical sectors as well placed to navigate macroeconomic and geopolitical uncertainties that we may face in 2024

•Performance would continue to broaden out with cyclical sectors and small caps participating which were laggard in 2023

•We remain underweight tech. given stretched valuations and on an expected deacceleration in earnings of technology sector names and in acceleration in earnings in other sectors

•We avoid names on higher risk sides of the capital structure such as unprofitable tech and biotech names, etc.

**We maintain overweight on the US** on improving earnings growth and resilient and economic growth. We see the US economy holding up much better than Europe given relatively stronger consumer spending and consumer confidence. The US will continue to be the driver of innovation in sectors such as AI, semiconductors, clean energy, biotech, etc. We remain underweight on Japan.

**Preferred Picks:**

**Technology and communication services:** Alphabet, Microsoft, Nvidia, AMD, Amazon, Adobe, Sales Force, META, Netflix

**Healthcare:** Pfizer, Merck

**Industrials/Auto:** GM, Ford, Caterpillar, Deere

**Financials:** Visa and Mastercard

**Airlines:** Delta Airlines, United Airlines

**Utilities:** Nextra Energy

**Consumer Staples:** Walmart

We stay underweight on Europe as we expect earnings growth to struggle on a weaker macro - economic growth environment despite lower relative valuation vs US (1 year forward PE- 14.5x vs 22.5x).

We remain neutral on EMs due to uncertainty regarding the tariffs and rising dollar. However, there are strong structural domestically driven economic growth stories such as India which we continue to remain overweight on.

**MENA Equities:**

We have barbelled our equity portfolio by adding high dividend yield names with high beta names to provide defense to our portfolios given increased volatility tied to geopolitical risks. We advocate a quality bias and strong active management approach to take advantage of market volatility and selective security picking, focusing on balance sheet quality and cash flow visibility. Currently, MENA markets (S&P Pan Arab Composite Large Mid Cap Index) trades almost in line with the MSCI EM Index on a 1-year forward PE basis, which is below the long-term average premium of 10%. If oil prices can average above USD75/bbl, we believe the MENA market should trade at a premium to EM. We continue to see selective opportunities in the Saudi and UAE due to their government's commitment towards economic diversification leading to sustained spending on infrastructure, industrial, oil and gas, and tourism projects. 2025 would also be a strong year as the government is expected to pass debt law and mortgage law, and implement financial reforms. We have recently increased our weight iin the banking sector as the expectation of low rate cuts will have a less negative impactive on banks  profitability.

Our preferred plays include:

- Banks: **SNB, Alinma, KFH, NBK, ADCB, DIB, AkBank**
- Consumer: **Spinneys and Talabat**
- Energy: **ADNOC Drilling, ADNOC Gas, ADNOC L&S, NMDC Energy**
- Financial Services: **Boursa Kuwait**
- Healthcare: **Mouwasat, Pure Health**
- Real Estate: **Aldar Properties, Emaar Development, Emaar Properties, TECOM**
- Transportation: **AD Ports, Budget, DTC, Salik, SGS, Catrion, QGTS**
- Utilities: **AWPT, DEWA, Empower**

## Global Asset Allocation and Outlook

**EM Fixed Income:**

*We have shifted to underweight on duration on the back of higher yields and stronger economic data.* Fixed income markets gained during the month with yields pushing down. During the month, 10y US treasury yields closed 8 bp lower at 4.54%. Barclays Global Aggregate Index rallied (0.6%) during the month, while High Yield Index continued to show resilience inching up by 1.4%. Interesting, the high yield index had returned 9.8% in 2024. The MENA Broad Bond index was up 0.9% on a MTD basis.

*Saudi Arabia.* SAUDI Yield curve inched lower during the month. Yields on KSA 5.75 2054 were down by 10bps in January. The Saudi government and entities once again kickstarted the issuance with a flurry of quasi-sovereign issuance led by PIF. The flurry of activity should keep the country one of the largest issuers of dollar debt in 2025. The Bloomberg Global Aggregate- Saudi Arabia (I14669US Index) gave a positive return of 0.8% in November.

What we like:ARACEN, DAR AL-ARKAN, SAUDI Govt, SECO, KSA Sukuk, ARAMCO, PIF

*UAE*. UAE enjoys a positive balance on both its budget and external accounts. Corporate bond issuance picked up in January in UAE with a lot of corporate issuances.

What we like: ABU DHABI Govt, ARADA Sukuk, ESIC Sukuk, FAB Sukuk, GEMS, PD Sukuk, Sobha Sukuk, Binghatti Sukuk, ABU DHABI National Energy, UAE Govt, ADCBUH Perp, EBIUH Perp, DP World

*KUWAIT* –Kuwait is likely to test the debt markets this year once the new debt law kicks in. The country has just one sovereign outstanding bond KUWIB 3 ½ 03/20/27 (USD4.5bn).

MEXICO –The threat of increasing tariffs on Mexican products post US presidential election remains a cause of concern for investors. Investors will keenly await monetary policy commentary to gauge signs of inflationary concerns on the economy.

What we like: PEMEX, CEMEX

INDIA –India's bond market is benefiting from investors seeking higher all-in-yields and diversification. These factors have driven relatively stronger capital flows into the region and credit-spread tightening amid thin liquidity secondary-market conditions in Asia. The central bank reduced the monetary policy rate by 25bp-first meeting under the new CB governor. Investors will keenly watch how the central bank reacts to a combination of slower growth and a depreciating currency.

What we like: INCLEN, ADANI PORTS, INDIABULLS HOUSING, ADANI GREEN

## Performance of our Funds

**Concerto IS Daman MENA UCITS Fund**

The Fund's investment objective 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 MENAPT but deriving most of their revenues from MENAPT.

The fund gained 0.6% during the month.

| | 2025 | Inception (30 Jul 2020) (Class I) |
|---|---|---|
| Total Return | 0.6% | 91.6% |
| Annualized Return | - | 15.4% |
| Annualized Volatility | - | 7.6% |
| Sharpe Ratio | - | 1.6 |

*NAV as of 30th January 2025*

**Daman UAE IPO Fund**

The Fund's investment objective is to generate medium term capital growth by investing in securities issued by companies that are undertaking an initial public offering or by investing in companies that have listed on UAE exchanges in the previous 24 months.

The fund was down 2.4% for the month.

| | 2025 | Inception (Aug 2022) (Class A) |
|---|---|---|
| Total Return | -2.4% | 24.4% |
| Annualized Return | - | 9.1% |
| Annualized Volatility | - | 9.2% |
| Shape Ratio | - | 0.5 |

*NAV as of 31st January 2025*

** NAV as of December 1st, 2023*

***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.***

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## *Disclaimer*