Monthly Review, Asset Allocation & Outlook

February 2025

DAMAN INVESTMENTS

Highlights of the Month

- Global equities witnessed a mixed performance with the MSCI All Country World Index closing the month down 0.7%
- US equities stumbled as policy uncertainty tied to tariffs weighed on investor sentiment
- Fixed income acted as a great diversifier with Barclays Global Aggregate Index up 1.4%
- 10Y US treasury yield fell 33 bps as markets priced in 2.7 rate cuts as of end-February vs 1.8 rate cuts a month back
- Gold prices continued to rally gaining 2.1% MoM in February on safe haven appeal
- MENA equities inched lower by 0.4% in February, led by Saudi (TASI: -2.4%) and Abu Dhabi (FADGI: -0.2%)
- Contrastingly, Dubai (DFMGI) perform well with the index up 2.6% in February
- FTSE MENA Broad Bond Index was up 1.7% on MTD basis with new debt issuances continuing to pick up pace
- We retain an overweight allocation on equities and high-yield credit. We continue to advocate a well diversified portfolio
- However, we have increased our weight in bonds to ride the market volatility

Global Review

After starting 2025 on a strong note, global equities witnessed a mixed performance with the MSCI All Country World Index closing the month down 0.7%. US equities stumbled as policy uncertainty tied to tariffs weighed on investor sentiment. The VIX Index spiked above 20 levels. European equities outperformed as investors began to anticipate ceasefire between Russia and Ukraine. EM equities also closed the month positively with the MSCI EM Index gaining 0.4% mainly due to a continued positive momentum in Chinese tech stocks.

Fixed income as an asset class outperformed equities and played its diversification role with Barclays Global Aggregate Bond Index rising 1.4% as 10-year US Treasury yields fell 33bps to end at 4.21%. US economic growth slowdown concerns on downside surprises in economic data and weakening consumer sentiment led investors to rush into bonds. Barclays Global High Yield Index rose 0.8%.

The Bloomberg Commodity Index gained 0.4%%. Natural gas, base metal and gold prices drove the index higher. Natural gas prices rose 26% on cold weather and temporary supply shortages. Oil prices fell 4.7% on demand concerns and OPEC+ agreeing to proceed with a plan to start increasing oil output starting April 2025. Gold prices rose 2.1% to close the month at $2858/ounce as the commodity benefited from US policy uncertainty.

Global Equities:

Within equities, value continued to outperform growth with the MSCI All Country World Value Index rising 1.4%, outperforming the Growth Index by 4%. The Growth Index underperformed on a decline in technology stocks on investor being pessimistic on a continued strong growth in AI related spending. NVIDIA rebounded 4% after losing 10.6% a month before. Developed markets (DM) underperformed the emerging markets (EM) with the MSCI World Index declining 0.8%.

The S&P 500 Index fell 1.4% on economic growth scare. Key sectors such as Consumer Discretionary, Communication Services, and Information technology underperformed with the corresponding sector indices falling 9.4%, 6.3% and 1.4%, respectively. The Russell 2000 Index, a small-cap Index of US stocks, fell 5.4%.

US Non-farm Payrolls increased 143,000 jobs during the month, below consensus expectations for 175,000. The unemployment rate also declined to 4.0% from 4.1% in the prior month. Wage growth was 4.1% YoY vs expectation of 3.8%. The University of Michigan Consumer Sentiment for February dropped nearly 10% MoM to 64.7 from 67.8 in January. Inflation expectations for the year ahead jumped to 4.3%, up from 3.3% in January. 5-10 year expectations rose to 3.5% form 3.3%. We believe tariff concerns weighed on the sentiment and inflation expectations. Core retail sales declined 0.8% MoM in January, against expectations for a moderate increase. Unusually cold weather weighed on the retail sales print.

US CPI increased 0.5% MoM and 3% YoY, both readings were above expectations. Core CPI increased 0.4% MoM and 3.3% YoY, both readings were below expectations of 0.2% and 3.2%. Much of the move higher in the CPI came from food prices jumping 0.4% pushed by a 15.2% surge in egg prices related to ongoing problems with avian bird flu and energy prices climbing 1.1%. The volatile used car and airfare components rose 2.2% and 1.2%. Auto insurance prices rose 2%.

Eurozone was the best performing market in DM with MSCI Europe ex-UK Index up 3.6% MoM. The financials sector led the gains amid robust corporate earnings. Defence stocks rallied on expectations that European governments will have to lift military spending. Germany held elections which saw Friedrich Merz's Christian Democrats (CDU) emerging as the largest party. Negotiations to form a governing coalition will now begin. A coalition between the CDU and the Social Democrats (SPD) appears the most likely scenario. The eurozone composite PMI continued to stay in expansionary territory at 50.2 in February.

UK equities rose in January with FTSE 100 Index up 1.6%. The financials, healthcare, and industrials sectors were the top gainers. The rotation away from large cap US tech stocks continued to benefit Eurozone and UK markets. Japanese equities tumbled with the Nikkei 225 Index falling 6.1% on tariff concerns.

Fixed Income:

February 2025 was a positive month for bond investors with Investment Grade bonds outperforming High Yield bonds, with Bloomberg Global Aggregate Index up 1.4% MoM and Bloomberg High Yield Index adding 0.8% in February.

This came on the back of the move downwards in Treasuries thanks to retail sales slowing more than expected in January. However, tariff concerns kept bond investors on tenterhooks. We believe absolute yields remain high even as relative yields seem low on the back of weaker economic data and markets pricing in more rate cuts than before.

MOVE Index which depicts volatility in treasuries was at its highest in February. The 3m10y spread on USTs which is a gauge for recession probability showcased yield curve inversion (-7bp) as of end-February. Treasury yields inched lower following the weak Non Farm Payrolls print,. US NFP for January saw job additions of 143k much lower than expectations of 176K, AHE YoY inched higher by 4.1% from 3.9%. Looking at inflation, US CPI YoY rose 3.0% in January. Meanwhile, Core CPI YoY increased to 3.3% from 3.2%. Meanwhile, manufacturing activity expanded in January and inched back above 50. The US ISM Manufacturing Index reading for January improved to a ten-month high of 50.3, with the Services PMI deaccelerating to 51.0.

Global corporate dollar bond issuances stood at $287bn in February, 30% lower than the $407bn seen in January. As compared to February 2024, issuance volumes were down 10% YoY. 85% of the issuance volumes came from IG issuers with HY comprising 13% and unrated issuers taking the remaining 2%.

Emerging market (EM) bonds delivered positive returns in February. Both the Emerging Markets Aggregate Index (EMUSTRUU) and the Bloomberg EM GCC Credit + HY Index (BGCCTRUU) were up 1.6% and 1.7%, respectively.

Market Outlook: We anticipate that the U.S. Federal Reserve will significantly reduce the pace of rate cuts in 2025, on tariff headwinds. Markets have priced-in higher rate cuts in February vs a month back, but we feel this move of higher rate cuts priced by forwards maybe temporary. 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 rate of around 3.57%. We foresee a divergence between market expectations and the FOMC's dot plot in 2026-2027, driven by growth slowdown concerns.

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 0.4% MoM. Asia gained 0.6% MoM, followed by EMEA, which was up 0.4%. However, LATAM gave up some gains from the previous month, losing 2.3%. China was the standout story of the month, gaining 11.5%. Beijing's endorsement of private enterprises, growing liquidity in the markets, the emergence of AI startup DeepSeek and strong performance in the EV sector led to a favorable environment for Chinese stocks.

Commodities: Oil: Brent crude oil fell 4.7% during the month, closing at $73.2/bbl. Weaker oil demand from China, plans by OPEC+ to increase production and trade war fears contributed to lower prices. **Natural gas**: Henry hub prices fell grew 26.0% MoM to reach USD 3.8/mmbtu. Tighter market conditions and the threat of potential disruptions in the supply chain due to trade tariffs led to the surge in prices.

Petchems: SE Asia LLDPE, HDPE, PP, and LDPE rose 4.0%, 3.1%, 2.0% and 1.7% respectively. Given the overhanging weakness in oil prices, prices of polyolefins have moved based on short-term demand/supply dynamics.

Metals: Copper gained 4.6% while aluminum rose 1.1% MoM. Uncertainty linked to tariffs led to the increase in prices. **Precious metals**: Gold prices were up 2.1% 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) was flat MoM while the US Dollar (DXY Index) lost 0.7%. The Russian Ruble (+10.4%), and Chilean Peso (+1.9%) were the best-performing currencies.

MENA Equities: February was a mixed bag for equities in the region, with multiple factors leading to a risk off sentiment and profit booking by investors. Prices fell due to increased volatility in equity markets associated with Trump's tariffs, a slew of weak Q4 earnings, especially in Saudi Arabia, falling oil prices, and decreased liquidity in the local markets. The S&P Pan Arab Composite Large Mid Cap Index was down 0.4% MoM. Kuwait's All Share Index continued its outperformance, rising 4.1%, taking gains in the first two months of the year to 10.0%. DFMGI was also up 2.6% but other markets fell with Saudi Arabia's TASI down 2.4%, Qatar's DSM Index down 2.1% and Abu Dhabi's FTSE ADGI down 0.2%. Gains in DFM were driven by a continued rotation towards real estate and banks as both sectors.

In Abu Dhabi, ADNOC Drilling's net profit for 2024 increased by 26% YoY, driven by strong top line growth of 32% YoY and improving EBITDA margins, which reached 50%. We continue to like the name given growth in operating rigs for onshore and offshore activities, the company's expansion into unconventional oil & gas production which could bring about new demand for rigs, and potential expansion into Kuwait and Oman, where the company is pre-qualified. ADNOC Gas' adjusted net income for 2024 grew by 13% YoY due to growth in volumes and cost efficiencies. During Q4, revenue dropped 4% YoY due to planned shutdowns and lower oil prices YoY. The company successfully raised $2.8bn through an accelerated secondary offering during the month. Aldar Properties ended 2024 with sales of AED 33.6bn, up 20% YoY. Their UAE backlog now stands at AED 45.9bn, which will be recognized over the next two to three years. Lulu Retail disappointed with Q4 earnings down 38% YoY due to weak revenue growth and high interest costs associated with working capital funding.

In Dubai, DEWA saw growth of 5.6% YoY in electricity, 4.4% YoY in water and 7.4% YoY in district cooling services for the year. Earnings pre-taxes grew YoY due to healthy margins and volume growth. Spinney's earnings grew 17% YoY in Q4 due to robust revenue growth, cost efficiencies and improving margins. Talabat's GMV grew 23% in 2024 due to new customer acquisition and higher order frequency. Adjusted net income grew 53% YoY due to operating efficiencies and change in revenue mix. Emaar Properties achieved their highest ever property sales – AED 70bn in 2024, a growth of 72% YoY. Group backlog grew to AED 110bn, with AED 102.7bn in the UAE. Net profit before tax grew 25% YoY with recurring revenue streams now constituting more than one third of Emaar's EBITDA in 2024. DTC's Q4 revenue grew 11% YoY due to the expansion of its operating taxi fleet (company added 744 vehicles in 2024). Net profit was up 8% YoY, albeit below consensus due to rising costs, Bolt partnership and weaker margins.

Major Indices Performance

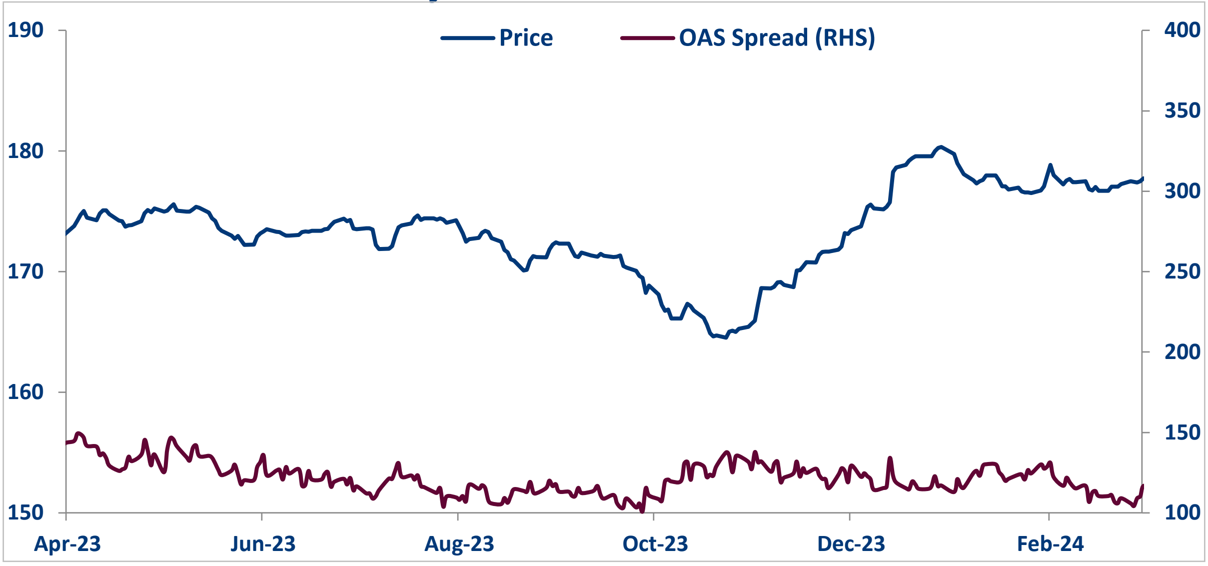
Major Indices Performance	Value	MTD Return	YTD Return	PE (x) 1Yr Fwd	PB (x) 1Yr Fwd	Div. Yield 1Yr Fwd
Saudi Arabia - TASI	12,112	-2.4%	0.6%	14.9	2.1	4.1%
Dubai - DFMGI	5,318	2.6%	3.1%	9.2	1.4	5.7%
Abu Dhabi - FADGI	9,565	-0.2%	1.5%	14.7	1.9	4.7%
Qatar - DSM	10,446	-2.1%	-1.2%	11.4	1.3	5.0%
Kuwait - All Share	8,101	4.1%	10.0%	13.1	1.5	3.6%
Oman - MSM30	4,436	-2.4%	-3.1%	9.5	0.6	6.2%
Bahrain - BHSEASI	1,960	4.3%	-1.3%	7.4	0.6	8.7%
Egypt - EGX30	30,610	2.0%	2.9%	6.9	2.0	1.8%
Morocco - MOSENEW	16,724	2.9%	13.2%	22.3	3.0	2.5%
S&P Pan Arab Composite	173	-0.4%	2.5%	13.7	1.9	4.0%
Israel - TA35	2,470	0.9%	3.1%	13.3	1.9	2.2%
Turkey - XU100	9,659	-3.5%	-1.7%	9.3	0.9	8.9%
Pakistan - KSE100	113,209	-0.9%	-1.5%	6.6	1.2	5.8%
S&P 500	5,955	-1.4%	1.2%	21.3	4.4	1.4%
STOXX 600	557	3.3%	9.8%	14.8	2.0	3.3%
MSCI EM	1,097	0.4%	2.0%	14.4	1.8	2.6%
MSCI All Country World	863	-0.7%	2.6%	18.5	3.0	2.0%
MSCI World	3,805	-0.8%	2.6%	19.5	3.2	1.9%

Major Indices Performance	Value	MTD Change	YTD Change
Barclays GCC Credit +HY Index	188	1.7%	2.3%
FTSE MENA Broad Bond Index	174	1.7%	2.6%
Dow Jones Sukuk	98	0.8%	0.9%
Barclays Global Aggregate Index	473	1.4%	2.0%
Barclays Global High Yield Index	1,698	0.8%	2.2%
Barclays US Treasury Index	2,352	2.2%	2.7%
Barclays US Corporate Index	3,375	2.0%	2.6%
Barclays US Corporate High Yield index	2,738	0.7%	2.0%
JPM EM Global Bond Index	622	1.5%	2.9%
Bloomberg Barclays Emerging Markets Hard Currency Aggregate Index	1,282	1.62%	2.7%
Bloomberg Barclays US Aggregate Bond Index	2,249	2.2%	2.7%
Markit CDX Emerging Markets Index	98	0.2%	0.8%
Barclays EM High yield	1,640	0.8%	2.4%
Barclays EM Corporate Index	306	1.8%	2.7%
10-year US Treasury yield* (%)	4.21	-33	-36
30-year US Treasury yield* (%)	4.49	-30	-29
US Treasury 2-10 Spread*	21.52	-12	-11
US Treasury 2-30 Spread*	49.55	-9	-5
10-year US Treasury Real yield* (%)	1.84	-27	-39
10-year Germany Treasury yield* (%)	2.41	-5	4
US Breakeven 10 Year*	2.37	-6	3
10-year Saudi Arabia Govt USD Bond yield* (%)	5.08	-24	-28
8-year Abu Dhabi Govt USD Bond yield* (%)	4.59	-30	-42
4-year Kuwait Govt USD Bond yield* (%)	4.58	-22	-42
9-year Oman Govt USD Bond yield* (%)	5.47	-23	-27
10-year Bahrain Govt USD Bond yield* (%)	6.62	-12	-30
7-year Qatar Govt USD Bond yield* (%)	4.44	-22	-22
10-year Egypt Govt USD Bond yield* (%)	9.78	5	-12
EIBOR 3M* (%)	4.24	-3	-21
QAIBOR 3M* (%)	4.65	0	-3
Dubai 5 Year CDS* (bps)	58	-3	-5
Qatar 5 Year CDS* (bps)	37	-2	-7
2-year US Treasury yield* (%)	3.99	-21	-25

Source: Bloomberg, Daman Investments AssetManagement

*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)	73.18	-4.7%	-2.0%
Natural Gas (USD/mmbtu)	3.83	26.0%	5.5%
Gold (USD/Ounce)	2,858	2.1%	8.9%
Copper (USD/MT)	9,338	4.6%	7.9%
Aluminium (USD/MT)	2,621	1.1%	3.7%
Nickel (USD/MT)	15,267	1.8%	1.0%
Urea Middle East (USD/MT)	445	9.2%	22.8%
Methanol China (USD/MT)	301	-0.3%	-4.1%
SE Asia Polyethylene (USD/MT)	1,000	3.1%	3.1%
Polypropylene (USD/MT)	1,010	2.0%	3.1%
US Dollar Index	107.61	-0.7%	-0.8%
MSCI EM Currency index	1,742.64	0.0%	0.9%
JPM EM Currency index	43.96	1.1%	2.7%
EGP/USD	0.020	-1.0%	0.0%
TRY/USD	0.027	-2.0%	-3.0%
PKR/USD	0.358	-0.3%	-0.4%
ILS/USD	0.277	-0.8%	0.9%
EUR/USD	1.04	0.1%	0.2%
GBP/USD	1.26	1.5%	0.5%
USD/JPY	150.63	-2.9%	-4.2%

Global
Asset Allocation
and Outlook

Global Asset Allocation and Outlook

Investors were caught off guard as, since the Trump election, they were focused on the positive side of his policy agenda, which is deregulation and tax cuts, and did not take the tariffs threat seriously. Once the tariffs became reality the equities have witnessed a sharp selloff. Also, the size of tariff is significant with 25% on Canada and Mexico and additional 10% on China.

Given the policy uncertainty in the US and expected near-term volatility, we have increased allocation to bonds in our global and regional portfolios. Despite a sharp fall in bond yields, the absolute yields are still quite attractive and bond market will serve as a hedge against the expected volatility. Also, over the last 5-6 months, we have focused on diversification, favoring equal weight S&P 500 over the S&P 500. We have also increased allocation to non-US equities (Europe and China tech) by cutting allocation to US equities. In our regional (MENA) portfolios we have increased the tilt towards high dividend yield focused names with 2025 expected dividend yield between 4.5-7%.

With soft landing as our base case scenario, we continue to advocate an overweight allocation to equities and high-yield credit. We still keep underweight on bonds and on duration. Market has become overly concerned about the economic growth and has priced in three rate cuts in 2025 which has driven the bond yields lower. We believe tariffs in the near-term will be more inflationary hence we expect 10-year US Treasury yields to rise towards 4.50% level.

We stay overweight on DM and equalweight on EM. With in DM we are overweight US and we upgrade Europe from underweight to neutral as PMI data ha s improved due to the EU governments increasing focus towards increasing fiscal spending, especially, in defence sector.

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. Market expects S&P 500 EPS to grow 10% YoY in 2025. Given the stretched 2025e PE multiple of 21.2x 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. 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 below the MSCI EM Index on a 1-year forward PE basis, which is also 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 in 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: **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 continue to remain underweight on duration even as yields inched downwards during the month. Fixed income markets gained during the month with yields pushing down. During the month, 10y US treasury yields closed 33 bp lower at 4.21%. Barclays Global Aggregate Index rallied (1.4%) during the month, while High Yield Index continued to show resilience inching up by 0.8%. Interesting, the high yield index has returned 2.2% in 2025. The MENA Broad Bond index was up 1.7% on a MTD basis.

Saudi Arabia. SAUDI Yield curve inched lower during the month. Yields on KSA 5.75 2054 were down by 25bps in January. The Saudi government and entities continued their issuance spree with Maaden issuing in the 5y and 10y tenor. 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 1.8% in February- highest since Aug 2024.

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

UAE. UAE enjoys a positive balance on both its budget and external accounts. Bond issuance continued in February with ENBD AT1, Tabreed, Damac, SIB coming to the primary debt markets.

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. We are expecting the sovereign to issue debt in 1H25 returning to the market. Investor demand should be multifold as investors look to lap up the bonds and diversify. 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 and retaliatory tariffs by Mexico remain the key thing to watch out for during the first few months. A lack of clarity and eventual rolling back of tariffs has led to yields moving down by 40bps in the 10y part of the curve in February.

What we like: PEMEX, CEMEX

INDIA –India's bond market is benefiting from investors seeking higher all-in-yields and diversification. Yields remained largely muted as 10y local yields ended the month at 6.73%. An increasing liquidity support provided by the central bank has helped yields move lower in 2025. Meanwhile, the October to December quarter GDP growth came in at 6.2% y-o-y, higher than 5.6% in the previous quarter.. Investors will continue to watch out for how growth holds, and how central bank supports the FX.

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 1.5% during the month.

	2025	Inception (30 Jul 2020) (Class I)
Total Return	1.5%	93.4%
Annualized Return	-	15.4%
Annualized Volatility	-	7.6%
Sharpe Ratio	-	1.6

NAV as of 27th February 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% for the month.

	2025	Inception (Aug 2022) (Class A)
Total Return	-4.4%	21.9%
Annualized Return	-	7.9%
Annualized Volatility	-	9.1%
Shape Ratio	-	0.4

NAV as of 28th February 2025

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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Address: Daman Investments PSC, Suite 600, P.O. Box 9436 Dubai, UAE

Tel: (+971 4) 332 4140
Fax: (+971 4) 332 6465
Email: amc@daman.ae
Website: www.daman.ae

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