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# Investor Monthly Newsletter

## For the Month of September 2018

### Inside this issue:

- S&P UAE Domestic Capped index was down 0.8% during the month
- Brent oil ended the month up 6.8% at \$82.72
- TNI Blue Chip UAE Fund was down 1.8% in September

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# TNI BLUE CHIP UAE FUND

Fact Sheet as of September 30, 2018

## Fund Profile

<b>Inception Date</b>	<b>May 01, 2005</b>
Base Currency	AED
Currencies	AED - USD
Minimum Inv.	AED 350,000
NAV / Unit	AED 11.27
Net Assets	AED 52.27M
Initial Fee	Up to 3%
Management Fee	1.5%
Cust.& Admin Fee	0.26%
Redemption Fee	1.0%
Performance Fee	15% of fund outperformance; subject to High Watermark
Benchmark	S&P UAE Domestic Capped Index
NAV	Daily
Custodian	Deutsche Bank
Administrator	Apex Funds
Auditors	KPMG
Lawyers	Tamimi & Co
Fund Manager	TNI
Domicile	UAE
NAV Listing	DFM
NAV Publishing	Financial Times
DFM	TNIUAEBFCF
ISIN	AET000730019
Reuters	Lp65037579
Bloomberg	TNIUAUF UH
<b>TNI UAE BCF</b>	<b>Performance (%)</b>
MTD	-1.8
YTD	-0.4
Since Inception	12.7

<b>Benchmark</b>	<b>Performance (%)</b>
MTD	-0.8
YTD	-3.7
Since Inception	-28.6

<b>Top 5 Holdings</b>	<b>Weight (%)</b>
DIB	12.0
Emaar Properties	9.3
DP World	8.8
ADCB	7.6
FAB	7.6

<b>Asset Allocation</b>	<b>Weight (%)</b>
DFM	39.9
ADX	36.4
GCC	9.1
Nasdaq Dubai	8.8
Cash	5.9

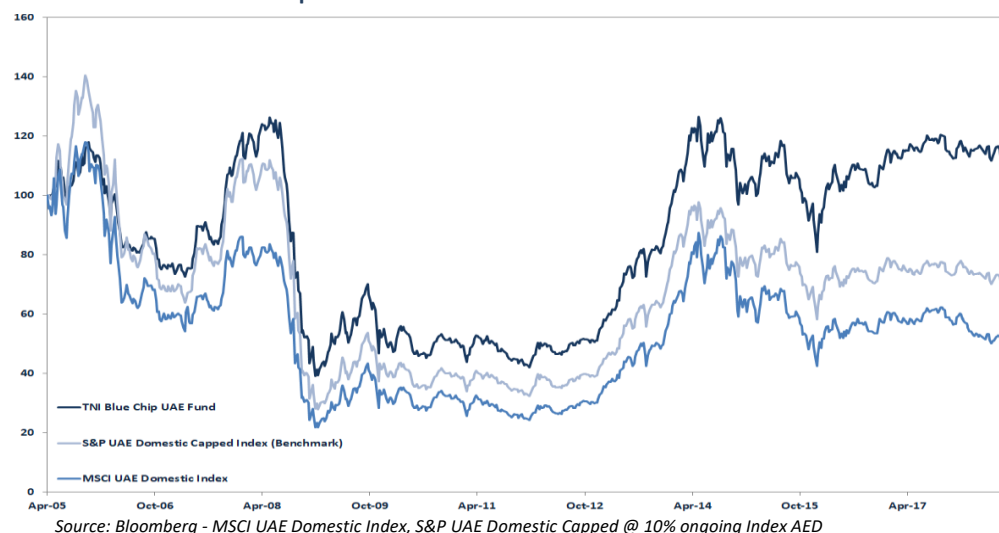
**Focus:** Although the fund may participate in markets throughout the Gulf Cooperative Countries ('GCC'), its investments will be primarily focused on publicly traded equities of UAE, which present a steady and recurrent track record of earnings growth and have a potential for capital appreciation.

**Management Style:** The key investment criteria are the company's financial strengths, competitiveness, profitability, growth prospects and quality of management. The allocation will be based on fundamental research and will incorporate a blend of top-down and a bottom-up analytical approach.

**Objective:** The fund aims to provide long-term capital appreciation through investing in equity securities publicly traded, primarily in the UAE, and, to a much lesser extent, in other GCC markets.

**Suitability:** Units of the Fund are speculative and involve a high degree of risk. The Fund is therefore designed for sophisticated investors who are able to understand the risks involved in emerging markets' equity investments, particularly in the UAE equities.

## Fund Performance since Inception



## Monthly Performance

%	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	YTD
2005	-	-	-	-	2.7	6.9	-11.2	6.0	5.9	4.3	1.3	-4.1	12.2
2006	-5.4	-4.7	-3.4	-8.5	-5.7	-2.9	-2.4	5.2	2.2	-3.4	-8.4	0.3	-32.9
2007	-0.8	2.5	-5.1	3.7	18.8	-1.7	0.0	-3.8	1.6	18.9	4.4	9.1	54.9
2008	-3.7	7.2	-6.1	9.8	-0.5	-1.8	0.8	-15.0	-15.7	-22.4	-23.2	-12.1	-60.7
2009	-9.7	4.9	8.7	5.8	9.3	-1.8	5.0	4.2	13.2	-2.9	-4.8	-13.1	16.2
2010	-8.3	-3.4	16.7	-1.7	-9.1	-2.9	-1.8	-1.9	10.5	5.0	-4.0	-1.4	-5.1
2011	-0.9	-7.9	6.4	7.0	-5.1	0.5	-1.2	-2.3	-4.9	-2.4	-3.0	-0.8	-14.5
2012	1.6	9.7	3.1	-0.3	-5.7	-0.6	2.2	4.2	1.7	2.8	-0.5	-0.6	18.2
2013	13.4	3.4	1.9	12.0	9.2	-3.8	9.8	-1.8	3.3	2.9	0.3	9.7	77.4
2014	8.6	7.5	1.6	9.2	4.8	-16.1	14.3	1.6	0.0	-7.4	-4.1	-5.4	11.0
2015	-2.6	5.8	-2.5	10.1	-3.9	3.4	2.8	-8.8	-0.6	-3.0	-5.5	0.4	-5.6
2016	-6.5	8.1	5.3	4.3	-5.2	2.9	4.4	-1.0	-0.8	-3.3	-0.9	6.5	13.3
2017	1.9	1.5	-1.2	2.1	0.2	-0.5	3.6	0.4	-1.3	2.1	-5.2	-1.1	2.2
2018	3.4	-2.1	0.7	1.6	-2.4	-2.0	4.1	-1.7	-1.8				-0.4

The Fund Manager does not and cannot guarantee the performance of the Fund, and the past performance of the Fund is not a guarantee of its future performance. Furthermore, it is understood that the Fund Manager does not give any advice and/or warranties, express or implied, and shall in no way be responsible or liable to any party for relying on any information with respect to the matters identified herein.

## Market Performance

### MENA

S&P Pan Arab Composite LargeMidCap index was flat MoM underperforming MSCI world, which was up +0.4% MoM and outperforming MSCI EM, which was down -0.8% MoM, respectively. Brent oil was up +6.8% over the month over impending U.S. sanctions on Iran despite the excess capacity to increase production in the market. The best performing market was Oman's MSM30, ending the month up +2.8%. The worst performing market was Abu Dhabi's ADSMI Index, falling -1.0% MoM. Saudi's Tadawul ended the month up +0.6%, despite a volatile month that started with a retail-led selloff. A solid pre-budget statement and reaffirmation on government payments to private contractors could help markets pick up again from here. The Finance Ministry released a pre-budget statement where they lowered the 2018 fiscal deficit projection to 5% (from 7.3%), given the positive effect the higher oil price has had on fiscal revenues. For 2019, public spending is expected to reach SAR1.106 tr (USD 295bn), an increase of SAR100 bn from earlier projections, with spending rising to SAR1.170tr by 2021. Qatar index was down -0.7%, while volumes in Qatar remain healthy. Kuwait was down -0.1% MoM and is set to receive an additional USD465mn on 20 December 2018 as phase 2 of joining the FTSE Global indices as an Emerging Market.

### UAE

Dubai's DFMGI was down -0.2% MoM while Abu Dhabi's ADSMI was down -1.0% MoM. Consolidation activity is picking up in the UAE, with the announcement of a 3-way merger likely to take place between ADCB, UNB, and Al Hilal Bank. The combined entity would be the third largest bank in the UAE on key balance sheet metrics – market share of 18% in loans and 15% in assets. If execution is successful, the merger should improve the banks' competitive position. UAE Cabinet approved a zero-deficit federal budget of Dh180 billion (USD 49 billion) for the next three years (2019-2021), of which 59% percent of the budget will go to education and social development.

## Fund Analytics as of September 30, 2018

### Manager's Comments

During the month of September, TNI Blue Chip UAE Fund was down -1.8%, underperforming its benchmark the S&P UAE Domestic Capped index by 104bps mainly due to a lack of exposure to UNB prior to the headlines of a 3 way merger. The Fund Manager increased exposure to Banking & Financials and decreased exposure to Real Estate. On an ex-cash basis, Banking & Financials are the key over-weight and Real Estate is the key underweight. The cash position was 5.9%.

### Asset Allocation and Deviations

Sector	Fund %	Benchmark %	Deviation %	Geography	Fund %	Benchmark %	Deviation %
Banking & Financials	40.4	35.8	4.7	Dubai	39.9	44.4	-4.5
Real Estate	18.6	29.7	-11.1	Abu Dhabi	36.4	47.1	-10.7
Logistics & Transport	15.3	11.6	3.7	GCC	9.1	0.0	9.1
Utilities	9.3	10.4	-1.1	Nasdaq	8.8	8.5	0.3
Cash	5.9	0.0	5.9	Cash	5.9	0.0	5.9
Others	3.7	3.4	0.3				
Energy & Chemicals	3.4	6.7	-3.3				
Consumer Services	2.1	0.9	1.2				
Contracting	1.3	1.5	-0.2				

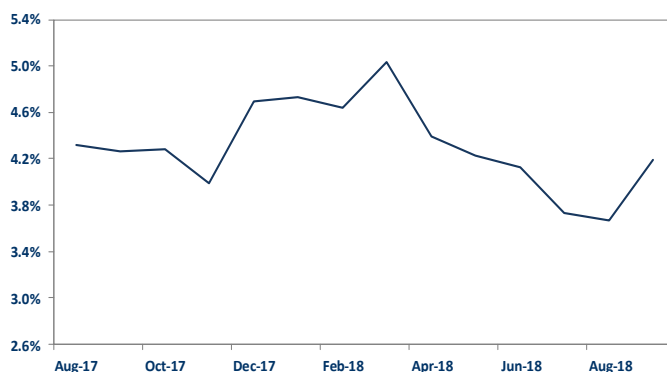
### Regression Analysis

#### TNI UAE Blue Chip Fund vs S&P UAE Dom Capped Index vs MSCI UAE Index

Returns (%)	TNI UAE BCF	S&P UAE Dom Capped	MSCI UAE	Key Figures* (w. avg)	PE	PB	ROE %	M. Cap (AED B)
1M	-1.8	0.0	0.0	TNI UAE BCF	10.9	1.4	13.4	41.7
3M	0.5	2.4	3.9	S&P UAE Dom Capped	11.9	1.5	12.9	42.9
6M	-2.4	-2.0	-1.1	MSCI UAE	7.6	1.1	12.9	42.1
1Y	-6.6	-6.9	-15.2	* PE, PB and ROE are all trailing				
3Y	4.0	-2.8	-7.7					
Inc.	12.7	-28.0	-44.9					

vs Benchmark	1Y	3Y	Since Inception
Ann. Alpha (%)	0.5	3.8	3.3
Ann. Return (%)	-4.6	2.0	0.9
Volatility (%)	9.5	11.9	23.4
Tracking Error (%)	4.2	3.8	8.6
Information Ratio (AR)	0.1	1.0	0.4
Information Ratio (TR)	0.1	1.8	4.7

#### Evolution of yearly tracking error



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# TNI ASSET MANAGEMENT

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### The National Investor

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