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# Investor Monthly Newsletter

## For the Month of December 2018

### Inside this issue:

- S&P UAE Domestic Capped index was down 1.2% during the month
- Brent oil ended the month down 9.6% at \$53.80
- TNI Blue Chip UAE Fund was down 0.5% in December

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# TNI BLUE CHIP UAE FUND

Fact Sheet as of December 31, 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 10.50
Net Assets	AED 48.70M
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	TNIUAEBFC
ISIN	AET000730019
Reuters	Lp65037579
Bloomberg	TNIUAEF UH

### TNI UAE BCF Performance (%)

MTD	-0.5
YTD	-7.2
Since Inception	5.0

### Benchmark Performance (%)

MTD	-1.2
YTD	-12.3
Since Inception	-35.0

### Top 5 Holdings Weight (%)

DIB	11.2
FAB	10.9
Etisalat	10.3
DP World	10.1
ADCB	10.1

### Asset Allocation Weight (%)

ADX	41.7
DFM	38.0
Nasdaq Dubai	10.1
GCC	9.4
Cash	0.8

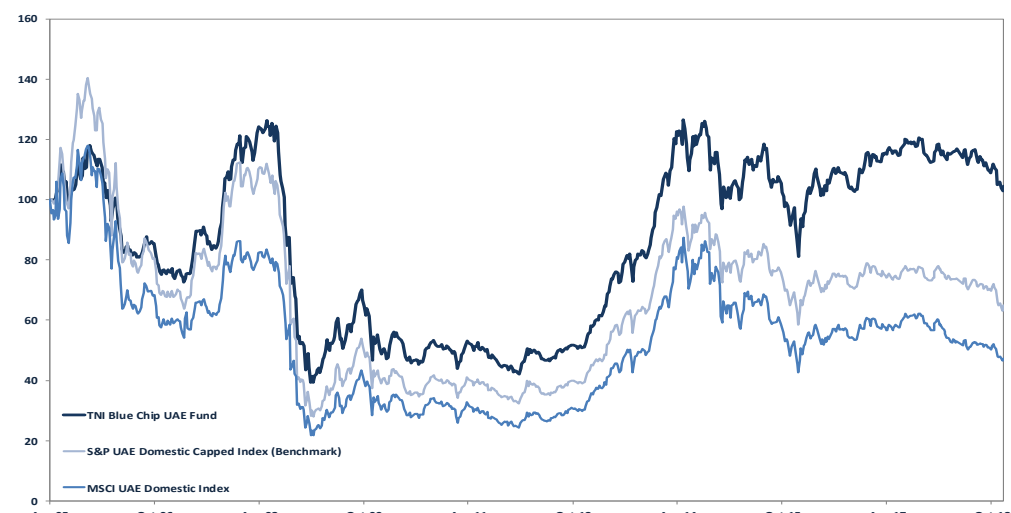
**Focus:** Although the fund may participate in markets throughout the Gulf Cooperative Countries ('GCC'), its investments will be primarily focused on publicly traded equities of UAE, which present a steady and recurrent track record of earnings growth and have a potential for capital appreciation.

**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	-1.9	-4.6	-0.5	-7.2



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 up 0.8% MoM outperforming MSCI world and MSCI EM, which were down -7.4% MoM -3.2% MoM, respectively. Brent oil was down -9.6% over the month, despite some relief from OPEC's hints towards the end of the month that it may extend or even deepen its pledged output curbs. The best performing market Ytd was Qatar, +20.8% and down -0.6% over the month due to some profit taking. Followed by Abu Dhabi's ADSMI, ending the year up 11.7% and 3.0% MoM. The worst performing market was Dubai's DFMGI Index, falling -24.9% Ytd and -5.2% MoM, levels not seen since the oil rout in early 2016, with USD 232mn of net foreign selling this year, the first net outflow since 2011. Saudi's Tadawul ended the year up +8.3% and the month up +1.6%; the Saudi budget was announced, the largest in the Kingdoms history up 7% over 2018, with a deficit of 4.2% of GDP. Saudi government is looking to issue another 120bn in debt in H1 2019, which is favorable for equity investors. Also, Yemeni peace talks are ongoing and a UN team has arrived in Aden to monitor a cease-fire. Kuwait was up +5.2% Ytd and -0.6 MoM, holding up on the FTSE EM upgrade, and the potential MSCI upgrade to EM. Additionally, in light of the recent Fed hikes, Saudi, UAE, and Bahrain Central Banks all followed suit except for Kuwait, which maintained its rates at 3%.

### UAE

Dubai's DFMGI was down -5.2% MoM, as it continues to witness the sell off on the back of gloomy property market coupled with global risk off sentiment which led to foreign outflows in 2018 and the market is down 24.95% YTD. Dubai sees a budget deficit of AED 5.8bn in 2019 as it boosts spending on infrastructure projects, including those related to Expo 2020. On the other hand, Abu Dhabi's ADSMI was up +3.0% MoM, on the back of small and mid-cap names rallying in the index and it ended the year up 11.7%.

## Fund Analytics as of December 31, 2018

### Manager's Comments

During the month of December, TNI Blue Chip UAE Fund was down -0.5%, outperforming its benchmark the S&P UAE Domestic Capped index by 71bps. Our underweight in the Real Estate and overweight in Utilities contributed positively towards the performance. However, our overweight in Financials contributed negatively towards the funds' performance for this month. The cash position was 0.8%.

### Asset Allocation and Deviations

Sector	Fund %	Benchmark %	Deviation %	Geography	Fund %	Benchmark %	Deviation %
Banking & Financials	43.6	34.8	8.8	Abu Dhabi	41.7	47.9	-6.3
Real Estate	16.4	28.8	-12.4	Dubai	38.0	43.3	-5.3
Logistics & Transport	16.1	12.7	3.4	Nasdaq	10.1	8.7	1.4
Utilities	14.6	10.2	4.3	GCC	9.4	0.0	9.4
Energy & Chemicals	3.6	6.6	-2.9	Cash	0.8	0.0	0.8
Contracting	2.7	1.8	0.9				
Consumer Services	2.1	0.7	1.4				
Cash	0.8	0.0	0.8				
Others	0.0	4.3	-4.3				

### 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	-0.5	-1.2	-1.3	TNI UAE BCF	11.6	1.5	13.6	50.2
3M	-6.8	-9.0	-8.9	S&P UAE Dom Capped	11.8	1.5	12.5	41.0
6M	-6.4	-7.5	-6.0	MSCI UAE	8.5	1.0	11.9	38.7
1Y	-10.3	-15.4	-18.9	* PE, PB and ROE are all trailing				
3Y	-5.1	-14.0	-17.4	<b>Evolution of yearly tracking error</b>				
Inc.	5.0	-35.0	-50.2					

vs Benchmark	1Y	3Y	Since Inception
Ann. Alpha (%)	5.1	4.6	5.3
Ann. Return (%)	-7.2	2.4	0.4
Volatility (%)	8.9	11.7	23.3
Tracking Error (%)	3.9	3.8	8.5
Information Ratio (AR)	1.3	1.2	0.6
Information Ratio (TR)	1.3	2.3	4.7

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