

**December 2018**

## bank muscat Muscat Fund

**NAV:** OMR 0.717  
 USD 1.86

### Objective

The investment objective of the Fund is to outperform the MSM30 Index by investing at least 80% of the money in stocks that are part of the MSM30 Index. The allocation to each share can deviate up to 20% from its weight in the MSM30 Index. The Fund has the discretion to invest up to 20% of the Fund's corpus into shares that are listed on the MSM but are not part of the MSM30 Index and to subscribe in initial public offerings in Oman and also to invest in Global Depository Receipts Listed on a foreign exchange of stocks that are listed on MSM.

### Commentary

Wishing you a very Happy New Year 2019. We thank you for your support and hope to receive the same in the future.

The Muscat Securities Market remained under pressure during 2018, falling by 15.2% during the year. The Muscat Fund NAV outperformed the MSM30 index by 3% during 2018. However, the fund NAV went down by -12.2% on account of overall pressure on the market. The fund benefited from its exposure in the financial sector while its exposure in industrial and services sector affected the relative performance of the fund.

Oman's Government announced the budget for the year 2019. The total spending was up to RO12.9bn for the year which is RO400mn higher compared to 2018. Approximately OMR 5 billion of the spending has been allocated for the education, health, housing and welfare sectors, which represents the largest share of the budget, accounting for 39 per cent of the total spending. The budget is based on an oil price assumption of US\$58 per barrel with an estimated total revenues of RO10.1bn including RO 7.4 billion from oil and gas, accounting for 74 per cent of total revenue. The budget estimates a deficit of RO2.8bn, which is lower than RO3bn deficit estimated in 2018 budget. Nearly 86 per cent of the RO2.8bn budget deficit will be financed through external and domestic borrowings while remain 14 per cent deficit will be covered through the withdrawal from the reserves.

Our outlook for Oman remains neutral in the medium-term and is underpinned by volatile oil prices, higher costs of borrowing amidst rising debt to GDP ratio. The liquidity conditions in the Oman market also remained challenging thus impacting the market performance. The fund being focused on the Muscat Securities market was affected by the market performance. Hence, the fund management body have proposed to merge the fund with the Oryx Fund, a GCC focused Fund having robust performance track record for the past 25 years. This will help in widening the investment universe for the Muscat Fund investors and also enable them to access growth in the GCC markets. We hope that all the investors will support this initiative of the fund management body.

### Portfolio Performance

Name	MTD	YTD	1 Year*	3 Years*	5 Years*
bank muscat Muscat Fund	-1.9	-12.2	-12.2	-5.2	-6.6
MSM30	-2.0	-15.2	-15.2	-7.2	-8.8

\* Annualized

### Fund Highlights

Fund Manager	Ali Dawood Al Lawati
Inception	Jun-94
Structure	Open ended Mutual Fund
Custodian	Bank Muscat SAOG
Domicile	Oman
Benchmark	MSM30
Currency	OMR/USD
Risk Profile	High
Min Initial purchase	OMR 50
Min Additional Purchase	OMR 50
Initial Subscription Fee	Up to 3%
Annual Management fee	1.25%
Valuation	Daily
Subscription/Redemption	Daily

### Top 10 Holdings

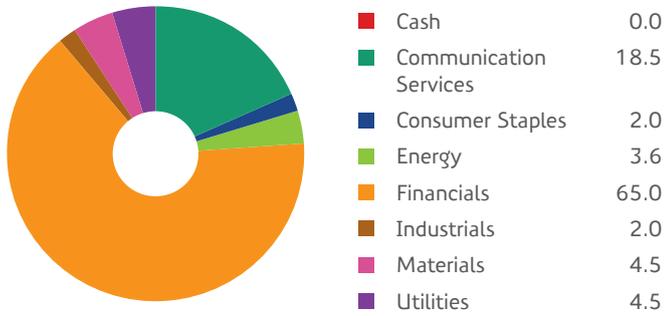
Company Name	% NAV
BANKMUSCAT SAOG	12.6
OOREDOO	9.3
OMAN TELECOMMUNICATIONS CO	9.2
BANK DHOFAR SAOG	9.0
BANK SOHAR	7.6
BANK NIZWA	7.2
AHLI BANK	6.8
OMINVEST	6.2
NATIONAL BANK OF OMAN SAOG	5.7
HSBC BANK OMAN	4.9

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## Sectoral Allocation



## Risk History (3 years)

Volatility	10.0%
Sharpe Ratio	-1.48

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