Bank Muscat Oryx Fund

Objective
The Fund’s main objective is to achieve long-term capital appreciation by investing in a diversified basket of equities listed on the MENA region stock exchanges.

Portfolio Report
Global financial markets witnessed heavy losses in the month of February as the coronavirus crisis escalates and investors grew increasingly concerned on the impact of rising cases on global economic activity. The MSCI World Index declined 8.6% MoM while Brent prices lost 13.1% MoM to close at USD 50/bbl. GCC markets also came under pressure with cases getting detected in the region towards the end of the month. The S&P GCC index fell by 7.4% during the month pressured by Qatar (-9.1% MoM), Saudi Arabia (-7.5% MoM), Dubai (-7.2% MoM), Abu Dhabi (-4.9% MoM), Kuwait (-4.0% MoM), Oman (+1.3% MoM) and Bahrain (+0.2% MoM) were the only exception and closed in the positive range during the month.

Due to the sharp decline in the stock prices, the Portfolio declined by 6.9% MoM. In comparison, the S&P GCC Index was down by 7.4%. The decline was mainly driven by the sharp correction witnessed in Saudi and Qatari stocks. Overall, the Fund is down -6.3% YTD as compared to the benchmark, which is down 8.2%.

We are currently in the midst of the 2019 full year reporting season. From the earnings that have been announced so far, earnings in Saudi Arabia are down 17.7% YoY mainly due to the 74% drop in earnings for petrochemical sector while cement sector earnings have been relatively stronger. While operating earnings for Saudi banks has been resilient, most banks have increased provisions for the quarter. Elsewhere, earnings in the UAE are up 13.3% YoY and driven by strong banking sector profits. Profitability in Kuwait also increased 7.9% YoY while earnings in Qatar declined 4.8% YoY. Oman’s aggregate profits increased 14.1% YoY led by the financials and industrials sectors.

We are re-assessing the portfolio in light of the evolving situation on the Coronavirus and its impact on the regional economies and businesses. In the near-term, we expect the impact on travel and tourism industry to be the harsher than the rest of the sectors. As a result, we believe it may be prudent to cut positions in sectors exposed to those industries where the impact is hardest and valuations are not justified. However, over the medium-term we expect the market to recover and are increasing positions to more defensive sectors including Banks, Consumers, Healthcare and Insurance. The history of the past epidemics thus suggest that the markets have witnesses sharp turnaround post the events as investors fallback on the fundamentals and reassess their investments. This along with the better corporate performance should bode well for the regional markets in the medium term.

Portfolio Performance

<table>
<thead>
<tr>
<th>Portfolio Name</th>
<th>MTD</th>
<th>YTD</th>
<th>1 year</th>
<th>3 years*</th>
<th>10 Years*</th>
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</thead>
<tbody>
<tr>
<td>Bank Muscat Oryx Fund</td>
<td>-6.9%</td>
<td>-6.3%</td>
<td>3.7%</td>
<td>7.6%</td>
<td>9.5%</td>
</tr>
<tr>
<td>S&amp;P GCC Composite Index</td>
<td>-7.4%</td>
<td>-8.2%</td>
<td>-6.0%</td>
<td>2.1%</td>
<td>0.8%</td>
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* Annualized

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Risk History

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<tr>
<td><strong>Time Frame</strong></td>
<td>3 years</td>
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<tr>
<td><strong>Volatility</strong></td>
<td>11.3</td>
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<td><strong>Sharpe Ratio</strong></td>
<td>0.2</td>
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Sectoral Allocation

- Cash: 1.1
- Communication Services: 5.4
- Consumer Discretionary: 11.5
- Consumer Staples: 5.2
- Energy: 3.3
- Financials: 52.2
- Health Care: 1.9
- Industrials: 11.4
- Materials: 6.0
- Real Estate: 2.0

Geographic Allocation

- Bahrain: 5.4
- Kuwait: 15.5
- Cash: 1.1
- Qatar: 6.6
- Saudi Arabia: 48.8
- United Arab Emirates: 22.7

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