ADCB PJSC

**Asset Management**

# ADCB GCC Equity Fund

Fund Performance Report

January to June 2025



ADCB PJSC
Head Office, Abu Dhabi Commercial Bank Building
Sheikh Zayed Street. P. O. Box: 939
Abu Dhabi, United Arab Emirates

# Contents


| | |
|---|---|
| **1. Strategic Review** | **3** |
| 1.1 Fund Overview | 3 |
| 1.2 Factors Impacting Performance | 3 |
| 1.3 Fund Distributions | 3 |
| 1.4 Adherence to Investment Guidelines | 3 |
| 1.5 Material Changes in Ownership | 3 |
| **2. Fund Analysis** | **4** |
| 2.1 Fund Top Holdings | 4 |
| 2.2 Fund Allocations | 4 |
| 2.3 Fund Size | 5 |
| 2.4 Fund Performance | 5 |
| 2.5 Fund Flows | 6 |
| 2.6 Fund Expense Ratio | 6 |
| **3. Market Analysis** | **7** |
| 3.1 Market Overview | 7 |
| 3.2 Market Outlook | 8 |

# 1. Strategic Review

## 1.1 Fund Overview

The fund's investment objective is to achieve medium to long-term capital growth by investing primarily in GCC listed Shariah-compliant equities. The fund is being actively managed with the aim of maximizing total returns and return per unit of risk while investing in high quality companies that possess superior growth potential and trade at attractive valuations.

As of the end of the first half of 2025, the fund is predominantly invested in Saudi Arabia and the UAE, which together account for 79% of assets. The top 5 holdings account for 30%, while the banking and telecommunications sectors account for 46% of the fund’s net asset value.

## 1.2 Factors Impacting Performance

The fund’s performance is primarily impacted by the GCC market’s performance, since all assets are invested in equities listed in the GCC region. The GCC market’s performance has recently benefitted from positive sentiment and local economic factors, including robust economic activity, real estate sector growth, investment in new economic sector and foreign direct investment. Additionally, favorable oil prices and continued government investment into infrastructure and economic diversification served to enhance economic activity and consumer confidence.

These factors have culminated in a rising degree of investor optimism that has been attracted to regional equity markets, which offer attractively priced investment opportunities both in absolute and relative to global peers. However, the performance of the Saudi Arabian equity market, in which fund is concentrated, lagged behind regional peers due to various idiosyncratic factors. The ADCB GCC Equity fund declined by -5.8% during the first half of 2025, compared to a -6.9% for the Saudi Arabia Tadawul Index.

## 1.3 Fund Distributions



There were no distributions during the first half of 2025.

## 1.4 Adherence to Investment Guidelines

The fund experienced two passive breaches during the month of April 2025, arising from the same event and have since been rectified. Apart from these, the fund adhered to investment guidelines during the period, and there were no material breaches recorded. In the event of any breaches, the Fund Manager will perform the necessary corrective actions to bring the fund back into compliance in the most efficient manner while taking into account the interests of fund unitholders.

The following table describes the major investment guidelines and adherence or violations that took place:

| Investment Guideline | Adherence Status |
|---|---|
| Invest at least 75% of assets in Shariah-compliant GCC region equity securities that are components of the Index | Adhered with no violations |
| Hold no more than 65 equity securities | Adhered with no violations |
| Invest no more than 55% in equities listed in Saudi Arabia | Adhered with no violations |
| Invest no more than 45% of assets in equities listed in countries other than Saudi Arabia | Adhered with no violations |
| Under normal conditions, the fund will hold up to 25% of assets in cash and short-term investments | Adhered with no violations |
| Invest up to 10% of assets in individual equities | Passive breach occurred during April 2025 upon the receipt of bonus shares of Kuwait Finance House (position reached 11%) |
| Invest no more than 30% of assets in any one ICB Supersector in the Index as defined by Dow Jones | Passive breach occurred during April 2025 upon the receipt of bonus shares of Kuwait Finance House (Banking sector reached 33%) |

## 1.5 Material Changes in Ownership

There were no material changes in ownership of the fund during the period.

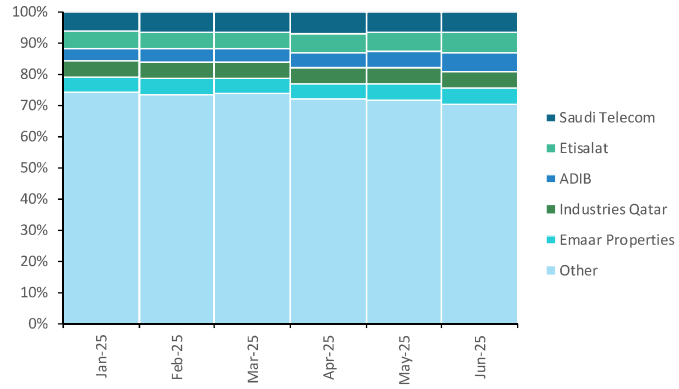
# 2. Fund Analysis

## 2.1 Fund Top Holdings

The ADCB GCC Equity fund invests primarily in equities listed on GCC stock exchanges. The GCC stock market is characterized by a significant degree of concentration whereby Aramco and the largest bank account for a substantial portion of market capitalization. As for the fund, top holdings account for 30%, while the banking and telecommunications sectors accounted for 46% of the fund's net asset value at the end of June 2025.

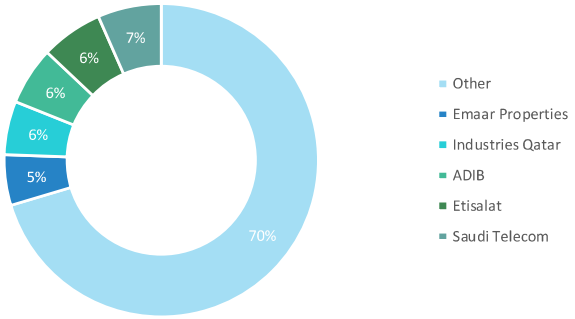
The Fund Manager follows an approach of bottom-up analysis while selecting securities and allocating risk. The investment process involves identifying potentially attractive investments that will undergo in-depth due diligence prior to capital deployment. The Fund Manager subsequently allocates risk on a relative basis, depending on the degree of conviction, valuation upside and quality of the target investment. Risk management is later conducted on an ongoing basis to ensure that allocations remain aligned with the Fund Manager's views and overall targeted portfolio risk level. Consequently, top holdings evolve from and are a product of the recursive application of fundamental and risk analysis by the Fund Manager.

**Evolution of Fund Holdings**
(% of Portfolio)




*Source: Fund Administrator, ADCB*

**Top Fund Holdings**
(% of Portfolio)



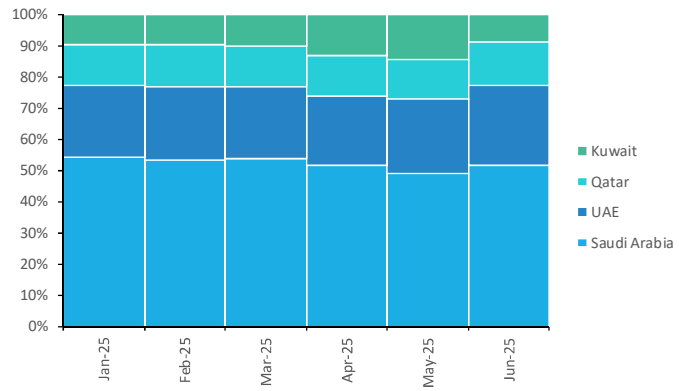

*Source: Fund Administrator, ADCB*



## 2.2 Fund Allocations

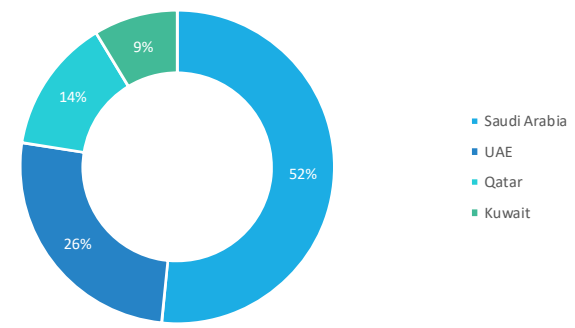
The ADCB GCC Equity fund is invested in Saudi Arabia, the UAE, Qatar and Kuwait. The largest representation is that of Saudi Arabia with a 52% allocation, followed by the UAE at 26% and Qatar at 14%. Saudi Arabia's dominance within the portfolio is a reflection of regional market capitalizations, where the bulk is concentrated in Aramco and its large banks. During June, the Fund Manager reduced allocation to Kuwait to 9% as the appeal of portfolio stocks diminished following general price appreciation. From a sector allocation viewpoint, banking with 29% allocation and telecommunications with 18% allocation account for 46% of the fund's net assets, while the chemicals sector accounts for an additional 8%.

**Evolution of Country Allocations**
(% of Portfolio)



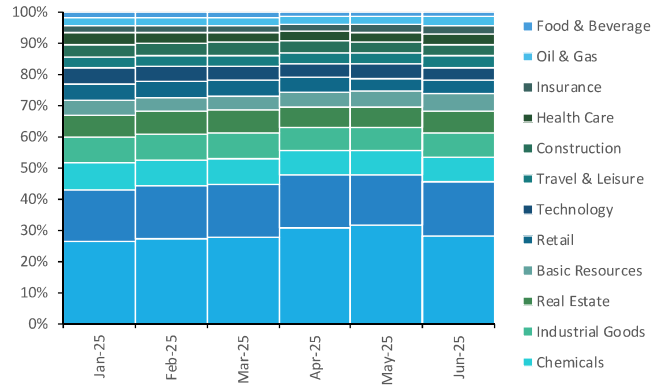

*Source: Fund Administrator, ADCB*

**Country Allocations**
(% of Portfolio)



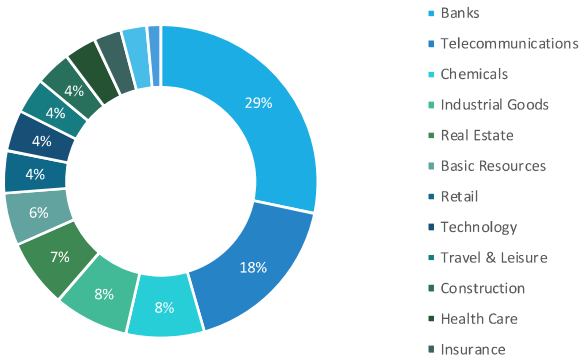

*Source: Fund Administrator, ADCB*

**Evolution of Sector Allocations**
(% of Portfolio)




*Source: Fund Administrator, ADCB*

**Sector Allocations**
(% of Portfolio)

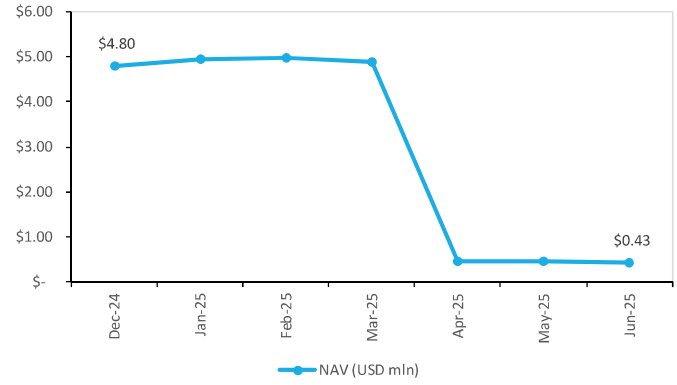



*Source: Fund Administrator, ADCB*

## 2.3 Fund Size

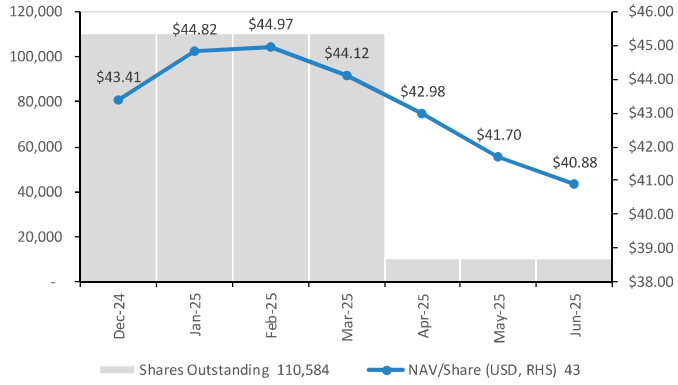
The fund size declined from $4.8 million at the end of 2024 to $0.43 million at the end of June 2025. The reduction in size resulted from a single large redemption which took place during the month of April. The net asset value per share on a fund level declined from $43.41 per share at the end of 2024 to $40.88 per share at the end of June 2025.

**Evolution of Fund Size**
(USD)




*Source: Fund Administrator, ADCB*

**Evolution of Net Asset Value per Share**
(USD, Number of Shares Outstanding)



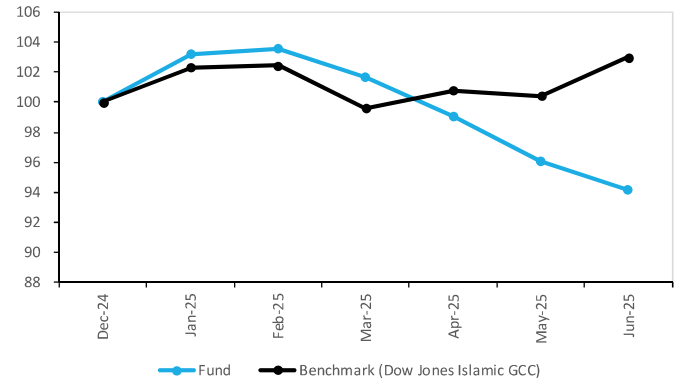

*Source: Fund Administrator, ADCB*

## 2.4 Fund Performance

During the period, the fund generated a net return of -5.8%, compared to 3.0% for the relevant benchmark. Performance experienced a period of growth during the first quarter of 2025, while the second quarter saw gradual declines largely as a result of a rising total expense ratio. Consequently, the fund's performance relative to the benchmark is -8.8% year to date.

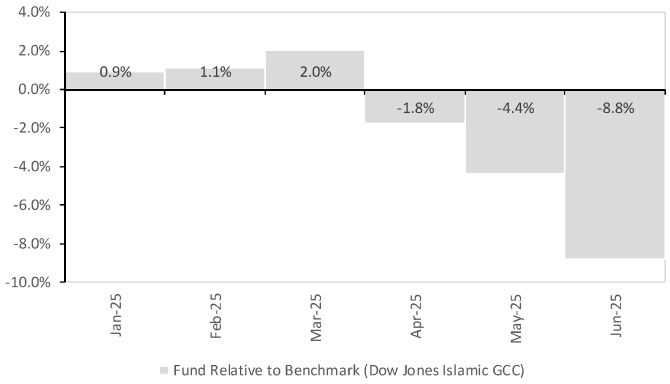
Furthermore, the fund did not distribute any dividends during the first half of 2025.

**Fund & Benchmark Performance**
(Rebased to 100)




*Source: Fund Administrator, ADCB*

**Fund Cumulative Performance Relative to the Benchmark**
(%)

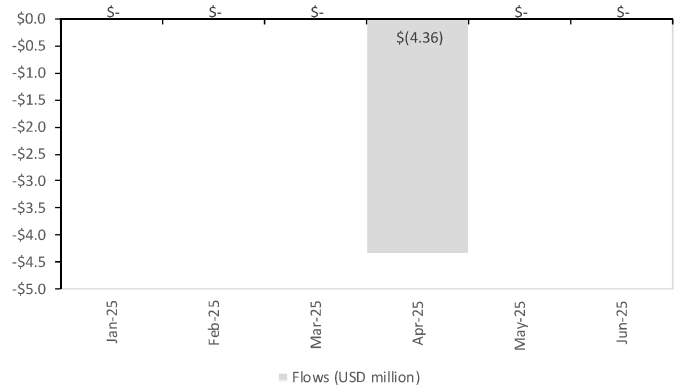



*Source: Fund Administrator, ADCB*

## 2.5 Fund Flows

The fund witnessed a single large redemption in April 2025 from a major unitholder for the value $4.36 million. There were no other subscriptions or redemptions during the period.

**Fund Flows**
(USD million)



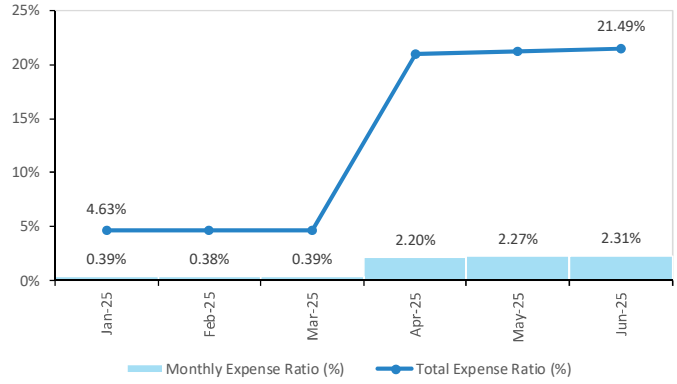

*Source: Fund Administrator, ADCB*



## 2.6 Fund Expense Ratio

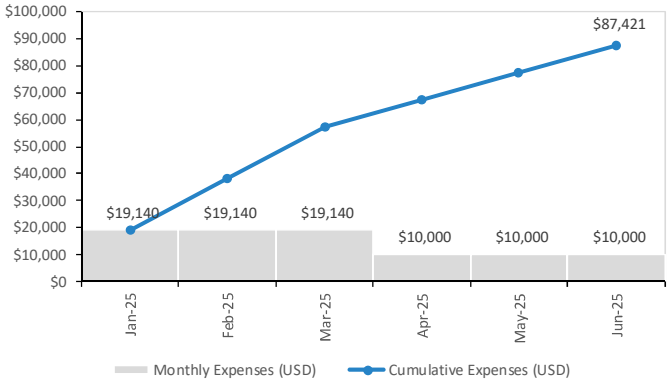
Following the redemption that took place in April 2025, the estimated fund total expense ratio is 21.4%, compared to 4.7% earlier in the year. The monthly expense ratio during the most recent month was 2.31%. Although the nominal value of monthly expenses has declined.

**Estimated Fund Total Expense Ratio**
(% of NAV)




*Source: Fund Administrator, ADCB*

**Estimated Fund Monthly Expenses**
(USD)




*Source: Fund Administrator, ADCB*

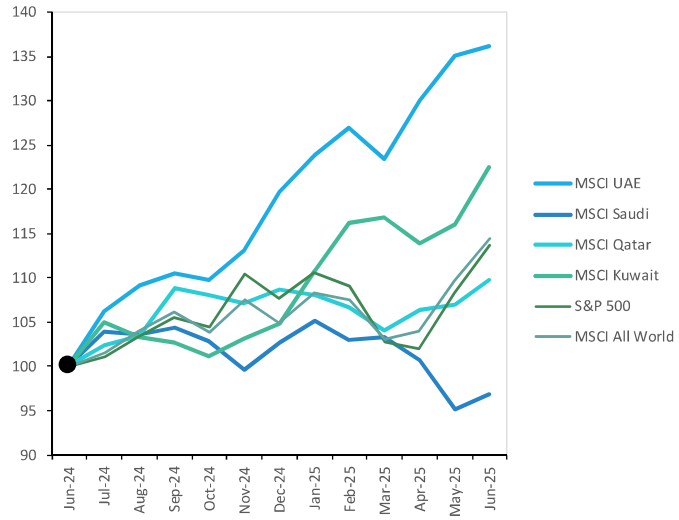
# 3. Market Analysis

## 3.1 Market Overview

The UAE market's performance has recently been largely driven by local economic factors, including robust economic activity, real estate sector growth, influx of residents and foreign direct investment, as well as favorable oil prices and continued government investment into a variety of projects. These factors have culminated in a rising degree of investor optimism that has been attracted to local equity markets, which offer attractively priced investment opportunities both in an absolute and relative sense.

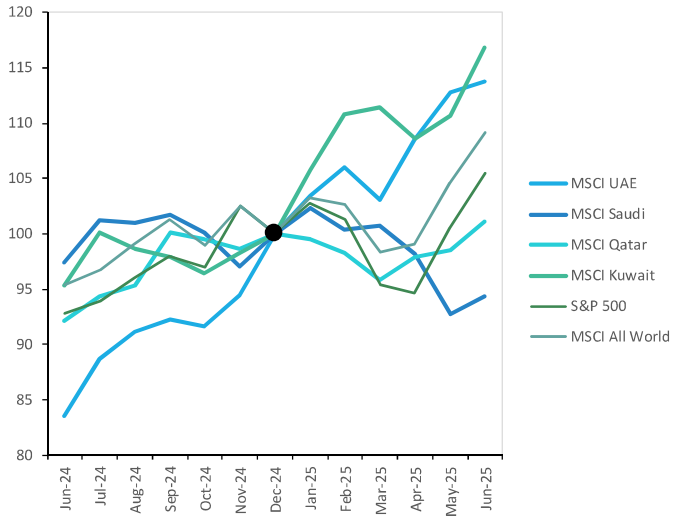
The broader GCC market also witnessed positive performance during 2025, with equities in Kuwait and Qatar enjoying price appreciation comparable to that witnessed in the UAE and with similar driving factors. The Saudi Arabian equity market, however, experienced weaker relative performance over recent months and has recorded minor losses on both a year to date and trailing year basis. The petrochemical sector, which continues to face oversupply and weak price trends, holds a large representation in the Saudi Arabian market, and has exerted downward pressure on overall market performance.

**GCC & Global Markets Performance - Trailing 12 Months**
(Rebased to 30-Jun-24)




*Source: MSCI, Bloomberg, ADCB*

**GCC & Global Markets Performance - Year to Date**
(Rebased to 31-Dec-24)

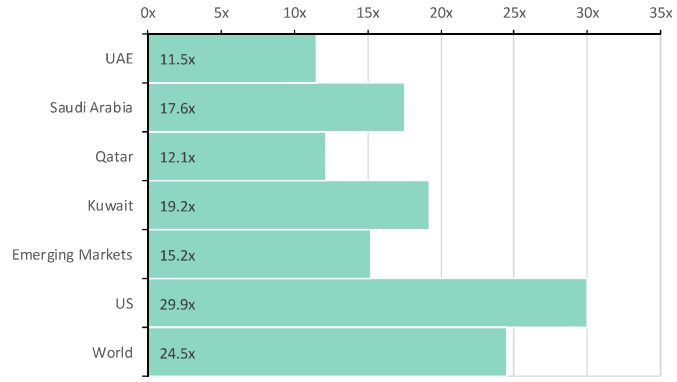



*Source: MSCI, Bloomberg, ADCB*

## 3.2 Market Outlook

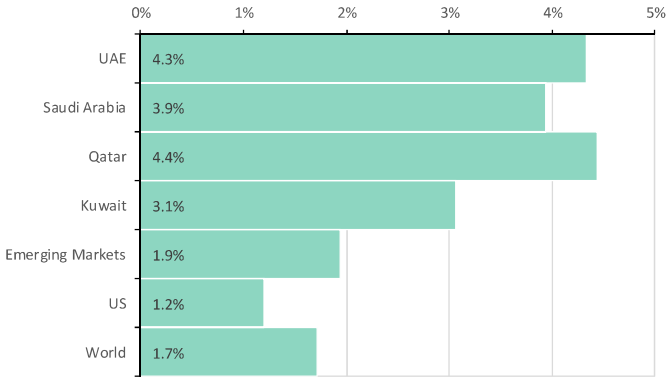
The region's markets and economies have been largely immune to negative impacts arising from global conflicts and trade related events, but these factors remain key potential risks that we closely monitor. GCC markets continue to offer appealing investment propositions relative to global markets. Regional equity valuations, particularly in the UAE and Qatar, offer substantial discounts to global markets, while dividend yields remain comparatively high despite recent price appreciation.

**Comparison of Price/Earnings Ratios**
(Multiple)




*Source: MSCI, Bloomberg, ADCB*

**Comparison of Dividend Yields**
(%)




*Source: MSCI, Bloomberg, ADCB*

The region has witnessed remarkable economic growth over the past decade, as GDP growth in Saudi Arabia and UAE rivaled that of global developed and emerging economies. Private sector loan growth, one of our favorite private sector growth metrics, also illustrates a robust growth trend, particularly in Saudi Arabia. Financial and human resources will drive sustainable long terms economic growth. GCC sovereign wealth funds continue to dominate global league tables, accounting for over 40% of the top 10 funds' assets. GCC government debt/GDP hovers around 30% on average, far lower than in development markets. Acceleration of labor force participation in Saudi Arabia illustrates the untapped wealth of human resources. This will be vital in driving productivity gains and personal consumption expenditure.

Regional markets continue to enjoy various structural tailwinds that we believe will act to sustain long-term economic growth despite potential short-term fluctuations. Strategic plans focused on reinvesting petrodollar revenues continuously towards diversifying the region's economies, combined with population and consumption growth are expected to bear fruit. Stock market valuations remain relatively attractive relative to global developed and emerging markets, thus presenting opportunities for value-accretive diversification.

| | |
|---|---|
| Abu Dhabi Commercial Bank PJSC ("ADCB", "The Bank") is licensed by the Central Bank of the United Arab Emirates under license number 13/2461/2005 to provide banking services to its clients, and by the Securities and Commodities Authority to promote investment securities and provide investment related services under license number 601001. | بنك أبوظبي التجاري ش.م.ع. ("البنك") مرخص من قبل مصرف الإمارات العربية المتحدة المركزي بالرخصة رقم 2005/2461/13 لتقديم الخدمات المالية والمصرفية إلى عملائه، ومرخص أيضاً من قبل هيئة الأوراق المالية والسلع بالرخصة رقم 601001 لتوفير خدمات ومنتجات الاستثمار والترويج لها. |
| The content hereinis for information and illustrative purposes only and does not constitute any form of advice, commitment or engagement on behalf of the Abu Dhabi Commercial Bank PJSC and It should not be construed as an offer or solicitation to buy or sell any investment products, nor is it to be considered as personalized investment advice. | هذا العرض التقديمي هو لأغراض تقديم المعلومات ولأغراض وتوضيحيّة فقط، ولا يعتبر بأي شكلٍ تقديماً لنصيحةٍ أو التزاماً أو مشاركةً بالنيابة عن بنك أبوظبي التجاري، كما يجب ألّا تُفسّر الرسالة على أنّها عرضٌ أو دعوة لشراء أي منتجاتٍ استثماريّةٍ أو بيعها، وكذلك يجب ألّا تُعتبر على أنه نصيحة استثماريّةً شخصيّة. |
| It should be read in conjunction with offering documents and respective terms and conditions for potential investor to understand the terms and information contained therein. | ويجب أن يُقرأ جنباً إلى جنب مع المستندات ذات الصلة والأحكام والشروط ذات الصلة حتى يتسنى للمستثمرين المحتملين فهم الأحكام والمعلومات الواردة. |
| Persons reviewing the contents are instructed to discuss it with their professional legal, financial and tax advisors before they make any financial commitments and shall be deemed to have made a reasonable assessment of the potential risks and rewards in making such a commitment. | ويتعين على الأشخاص الذين يصلهم هذا العرض التقديمي مناقشته مع المختصين القانونين وكذلك مستشاريهم في الشؤون المالية والضريبية قبل القيام بأي التزامات مالية، حيث سيُعتبر أنهم قاموا بإجراء التقييمات المعقولة للمخاطر المحتملة والعوائد الناتجة عن مثل هذا الالتزام. |
| ADCB does not guarantee any third party service provider, and investors invest at their own risk and bear all risks involved in any product purchased. | إن بنك أبوظبي التجاري لا يضمن أي خدمة مقدمة من مزوّد طرف ثالث. كما يتحمل المستثمرون مخاطر الاستثمار على مسؤوليتهم الشخصية ويتحملون كافة المخاطر ذات العلاقة بأي منتج تم شراؤه. |
| ADCB will not hold any responsibility for the outcome of any investment decisions taken. | كما لا يتحمل بنك أبوظبي التجاري أي مسؤولية عن نتيجة أي قرارات استثمار يتم اتخاذها. |
| Past performance does not guarantee future results. | الأداء السابق لا يضمن النتائج المستقبلية. |
| Investment products are not Bank deposits and are not guaranteed by ADCB, they are subject to investment risks, including possible loss of the principal amount invested. | إن منتجات الاستثمار ليست ودائع مصرفية وليست مضمونة من قبل بنك أبوظبي التجاري، هذه المنتجات تخضع لمخاطر الاستثمار التي تشمل خسارة محتملة لرأس المال المستثمر. |
| Please refer to ADCB Wealth Services Terms and Conditions. | يرجى الرجوع إلى أحكام وشروط خدمات إدارة الثروات من بنك أبوظبي التجاري. |