

# LHV Persian Gulf Fund

31-Dec-17

## Fund Manager's Comment

Joel Kukemelk



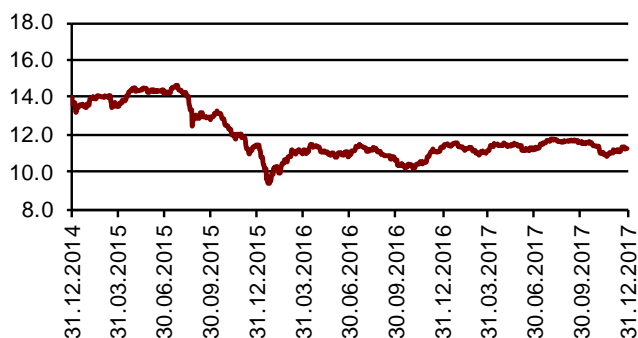
In December LHV Persian Gulf Fund's return was +2.1% with full year 2017 performance coming in at -0.6%. The strongest market in December was Qatar that rose by +14.8% (MSCI index, local currency, net) and weakest market was Bahrain that decreased by -2.9%. The best regional stock market in 2017 was Kuwait with +16.6% return and the worst markets were Qatar and Oman that both fell by -11.5%.

Important developments of 2017 included OPEC's co-operation with Russia and strong compliance on the agreed 1.8 mln barrel per day oil production cut that resulted in global inventory drawdown from Q2'17. Brent oil price that started the year at \$56 and bottomed out in June at \$44 ended the year at its high of \$66. Saudi Arabia's stock exchange changed its settlement cycle from T+0 to international T+2. We witnessed the escalation of diplomatic conflict between Qatar and Saudi Arabia, Bahrain, United Arab Emirates and Egypt that was followed by the expansion of visa-free travel to Qatar for nationalities of 80 countries. There was also the re-escalation of Yemen civil war and rockets were fired towards Saudi Arabia. In addition to that relations between Lebanon and Saudi Arabia became very tense. Mohammed bin Salman became the new crown prince of Saudi Arabia and there was a big anti-corruption crackdown among Saudi business and political elite that resulted in hundreds of arrests. We also saw meaningful steps toward bigger economic and social reforms in Saudi Arabia (women were granted the right to drive, also joint gatherings and opening of cinemas were allowed).

There are plenty of reasons to be optimistic when looking towards 2018. GCC governments' fiscal break-even oil price stands at \$61 per barrel and today's market prices are higher than that. PMI indicators outside energy sector are at their 2.5 year highs. Saudi Arabia has a good chance to be upgraded to FTSE and MSCI Emerging Market Indices and Saudi Aramco 2018 IPO will bring a lot of new foreign investor interest towards Saudi Arabia and GCC region in general.

As of end of December 2017 fund's single investments' portfolio trades at 9.2x 12 month estimated P/E, 1.0x trailing P/B and offers 3.8% dividend yield.

**Monthly Return** 2.14%  
**NAV of share** 11.2730 EUR  
**Fund Size** 10 722 360 EUR  
**LHV Asset Management** 1 102 773 515 EUR  
**Share price movement (last 36 months)**



## Investment Objective

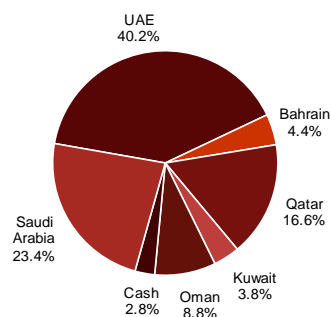
LHV Persian Gulf Fund invests in listed equities in the GCC (*Gulf Cooperation Council*) region – Bahrain, Oman, Qatar, Kuwait, United Arab Emirates and Saudi Arabia. Due to the specific nature of the fund, the recommended minimum investment period is at least 3 to 5 years.



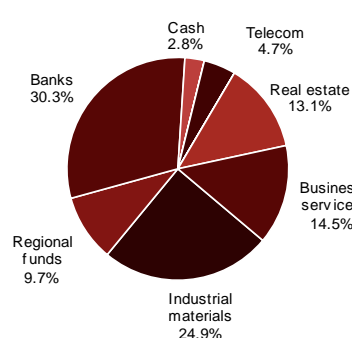
## Historical Returns\*

	1 month	12 months	36 months	2016-2017 average	2015-2017 average	2013-2017 average	YTD
Fund	2.14%	-0.58%	-17.84%	-0.80%	-6.34%	6.56%	-0.58%

## Country Breakdown



## Industry Breakdown



## Top 10 Investments

Name	% of Assets
EFG-Hermes Saudi Arabia Equity	9.74%
Emaar Properties Limited	8.89%
Bank Muscat SAOG	8.78%
Ras Al Khaimah Ceramics	8.65%
Sipchem	7.42%
Ooredoo QSC	4.67%
Dubai Islamic Bank	4.63%
Qatar National Bank	4.48%
Aluminium Bahrain	4.44%
Emirates NBD	4.38%
Value of top 10 Investments	66%
Total Number of Investments	20

## Fund Details

Type:	eurofund (SICAV, UCITS IV)	Depository:	Swedbank AB (publ) Luxembourg Branch
ISIN of share:	LU1138349862	Issue and Redemption Fee:	0%
Registrar of share:	Swedbank AB (publ) Luxembourg Branch	Investment Management Fee:	1.75%
Fund Manager:	Joel Kukemelk	Launched:	2/13/2008, re-domiciled 4/13/2015

\*The fund's historical performance does not promise or offer any indications regarding future performance. The performance chart shows the performance of the LHV Persian Gulf Fund - Class A Unit (EE3600095287) until the merger of LHV Persian Gulf Fund into the SEF-LHV Persian Gulf Fund on 2015-04-13 and since then the performance of the SEF- LHV Persian Gulf Fund Share (LU1138349862).

Information presented herein should not be interpreted as investment advice, investment recommendation or any other investment or ancillary service.

Please refer to the prospectus and the key investor information and ask for additional information [lhv.ee/persian](http://lhv.ee/persian).

Historical annual average performance figures are geometrical averages based on last calendar years.