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Best Funds to Invest in the MENA Region

This article is written in collaboration with Patricia Molina, Investor Relations Specialist, RankiaPro.



The MENA region includes the Middle East and the North of Africa, and it is an area full of opportunities for investors as it accounts for more than 60% and 40% of the world's proven oil and gas reserves respectively. Investment funds in MENA countries are still small relative to those in countries with similar economic and demographic characteristics.

Fiera Capital's Insights on African and Middle East Equities

Outlook written by Dominic Bokor-Ingram, Senior Portfolio Manager.

The Frontier and Smaller Emerging Markets team at Fiera Capital have been investing in the countries of the Middle East and Africa for many years. Our global philosophy when looking at Emerging equity markets is that political, economic, and stock market reforms create economic growth. The last five years of evidence in the Middle Eastern and African markets provide a clear illustration of just how significant those reforms can be.

Most of sub-Saharan Africa has been enveloped in a negative reform spiral that has both produced economic growth rates substantially below their potential and a dwindling of their equity markets to insignificant sizes in both a global and local context.

The two most significant equity markets in the region, Nigeria and Kenya, turn over between them less than \$10m a day. A

combination of economic mismanagement and corruption, large fiscal and trade imbalances in the case of Kenya, and capital controls in the case of Nigeria, have led to government funding requirements crowding out the private sector and economies that struggle to grow at rates corresponding to their potential.

Conversely, leading the way in the Middle East, five years ago, Saudi Arabia, on the back of a political succession plan, announced the most drastic social and economic reforms in its history. Saudi Vision 2030 and the National Transformation Plan set out a road map for Saudi Arabia to address the inevitability of their hydrocarbon resource base depleting and to stimulate the non-oil economy in a way that Dubai has succeeded in doing over the previous 25 years. Stock market reforms, with the culmination of

achieving MSCI Emerging Market status, were a large part of the plan and have already managed to triple the liquidity and size of the local bourse, thereby providing an abundant source of cheap growth capital for the nations corporates.

Similar processes have been underway in Qatar, UAE, and Kuwait, where stock market reforms have driven billions of dollars of capital into these countries' equity markets. Whilst equity market performance over recent years in the Middle East's largest four markets has been very strong, particularly relative to Global Emerging Markets, we could well be on the cusp of a further re-rating, as global and local conditions coincide to produce the potential for significant asset price inflation. With their monetary systems tied to the dollar (Kuwait has an undisclosed basket of (Currencies including the dollar) and economies geared to petroleum exports, the MENA bourses have been underwritten by an almost perfect reflation combination.

The fiscal purse strings should gradually be replenished with continued commodity strength whilst inflationary pressures start

to grow. A combination of higher oil and gas prices and ultra-low US interest rates have the opportunity to inflate asset prices quite dramatically, on the back of significant positive recoveries in nominal corporate earnings growth. As with so many regions and countries, reforms are introduced when the economy, and therefore the politicians, are struggling. The evidence of the last five years in the Middle East is that the oil depletion cliff edge is keeping reform processes on track regardless of commodity prices and, therefore, the continuation of a multiyear asset story remains firmly on track.

The Magna MENA Fund, having achieved its ten-year anniversary earlier this year, has produced a positive return of +17.6% (EUR net composite) year to date. The Fund's 1 year annualised performance is 36.2%, 5 year annualised performances of 11.5% and 10 year annualised performance of 15.1%. This long only equity Fund invests in the public markets of the Middle East and North Africa regions. All date EUR net as at 28 May 2021.

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The full article can be read on the RankiaPro website, please click the link:

<https://en.rankiapro.com/best-funds-invest-mena-region/>

We are delighted to collaborate with RankiaPro on this article, with Fiera's contribution written by Dominic Bokor-Ingram, Senior Portfolio Manager, Frontier Markets Equities.