

Daman Annual Press Briefing

16th January 2017



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DAMAN INVESTMENTS

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# Key Sections

- A. Recap of the markets
- B. Outlook for FY 2017
- C. Daman plans going forward

## A. Recap of the markets

# Recap of the markets – Nov'14 Press Briefing

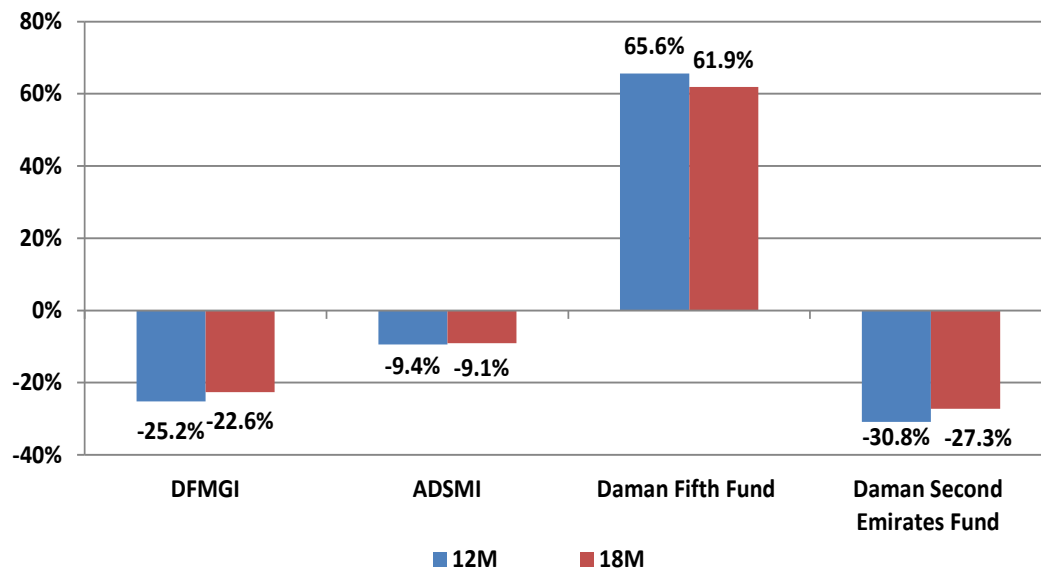
**Event:** Nov'14 Press Briefing

## Daman Projections:

- Strong finish to 2014 and **we forecast rally to extend towards Q1 2015. Beyond Q1 2015, the outlook becomes ambiguous at best**, given the increase in capital market activities in the form of IPO's.
- Our retail dominated **markets will go through cycles of liquidity shortage** depending on the size and the timing of the IPO's.
- **Both Dubai and Abu Dhabi are trading at premiums to book value** as compared to yesteryears.

**Projected Outlook:** Negative / Expensive Valuations

% Returns after the Nov-14 Press Conference



# Recap of the markets – Sept'13 Press Briefing

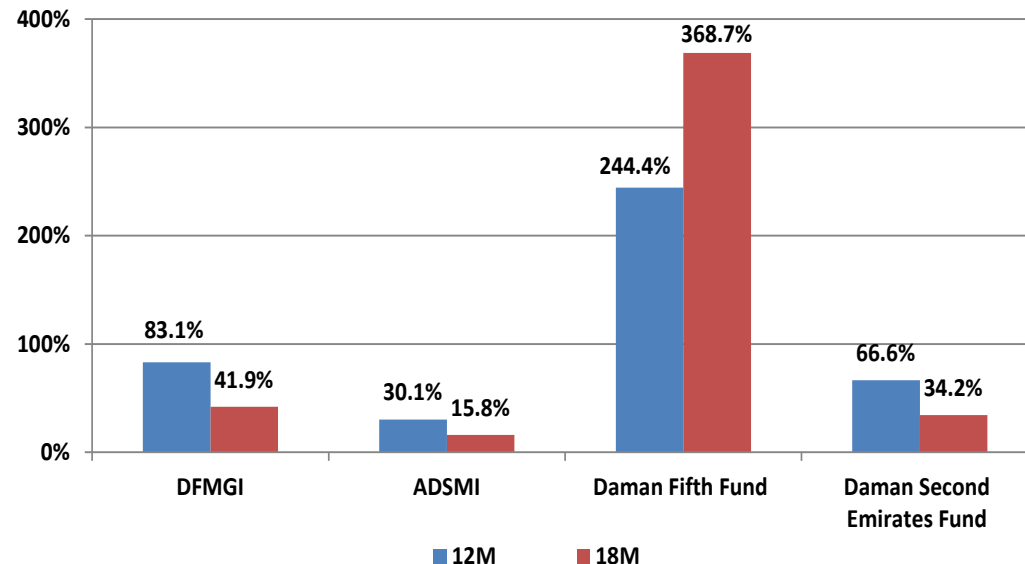
Event: Sept'13 Press Briefing

## Daman Projections:

- We do not expect any significant reversal in the current rally and in fact we are in the midst of a strong multi-year bull cycle.
- Given the heavy real estate component of the DFM Index (ca.20%) and the benign outlook for the sector for the rest of the year, **we believe from a sentiment perspective the market remains well supported.**
- We continue to be **optimistic about the prospects for dividends in 2013 given the strong trends in corporate profitability**, which will result in higher dividends in absolute terms.

Projected Outlook: Positive

% Returns after the Sept-13 Press Conference



# Recap of the markets – Sept'12 Press Briefing

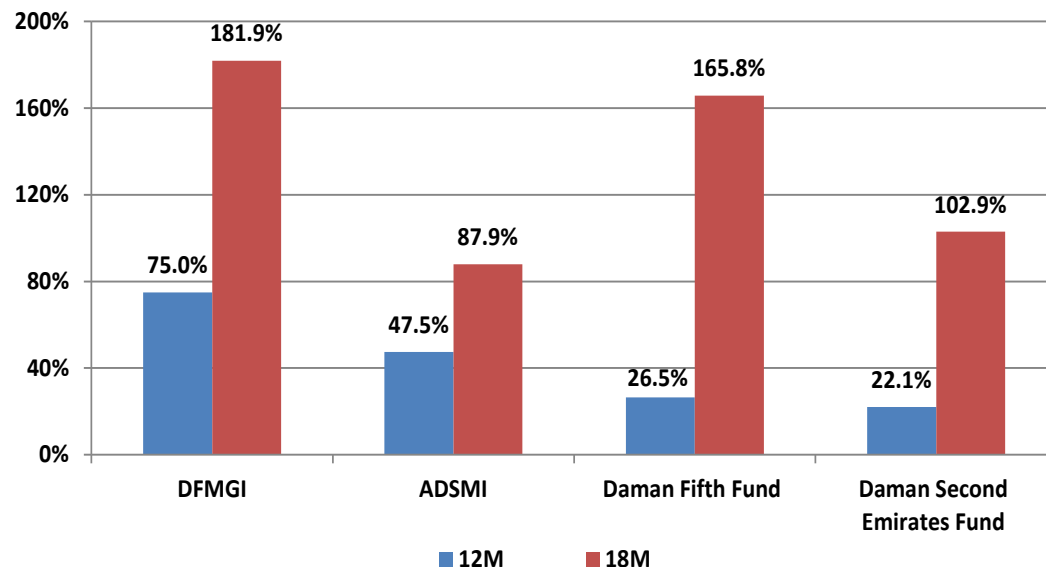
**Event:** Sept'12 Press Briefing

## Daman Projections:

- Despite strong run in our markets in Q1'12 (DFM +21.8% and ADX +6.3%), the **market remains attractively valued from a historical P/E basis and on a P/B versus ROAE basis.**
- **Dubai is still the cheapest market in the GCC** on a price to book basis. Therefore, the valuation case for Dubai continues to be an argument for further upward potential.
- **Q1 rally was not a mirage** given strong macroeconomic numbers and robust earnings momentum from corporates but a lot of good things need to happen in order to maintain suitable rally.

**Projected Outlook:** Positive

% Returns after the Sept-12 Press Conference



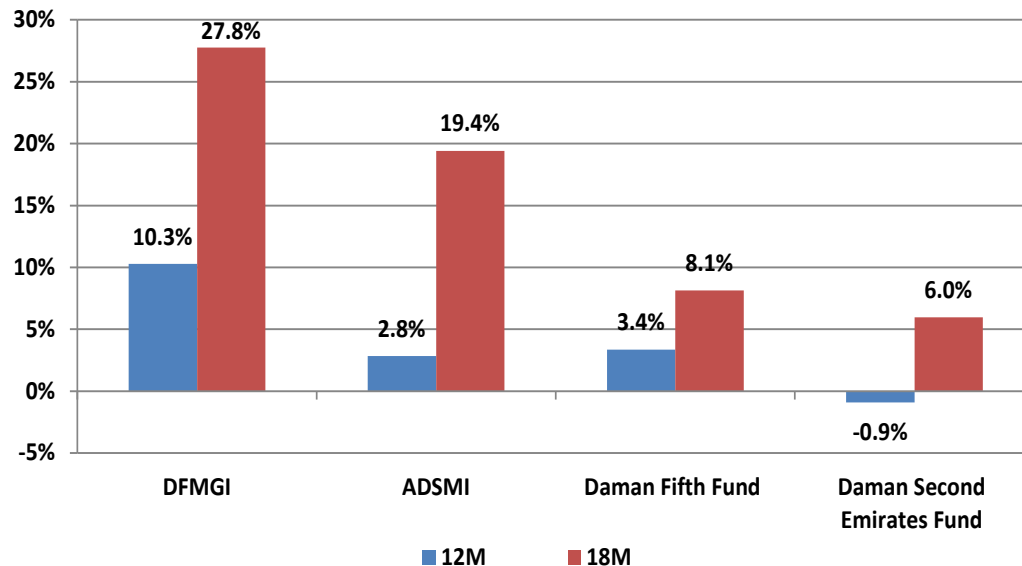
# Recap of the markets – Sept'11 Press Briefing

**Event:** Sept'11 Press Briefing

## Daman Projections:

- The Fixed Income window of opportunity has closed down...**This may be precursor to the resurgent appeal in equities** after a 5-year downward journey.
- However, we **do not expect a sharp or sudden reversal of fortune for equities just yet...**
- Daman views the present and year ahead as the **most attractive investment environment in the UAE since the crash of 2008**. However, this in no way means a bull market ahead, as there are still no signs of investors gaining confidence to declare the crisis over.

% Returns after the Sept-11 Press Conference



**Projected Outlook:** Positive

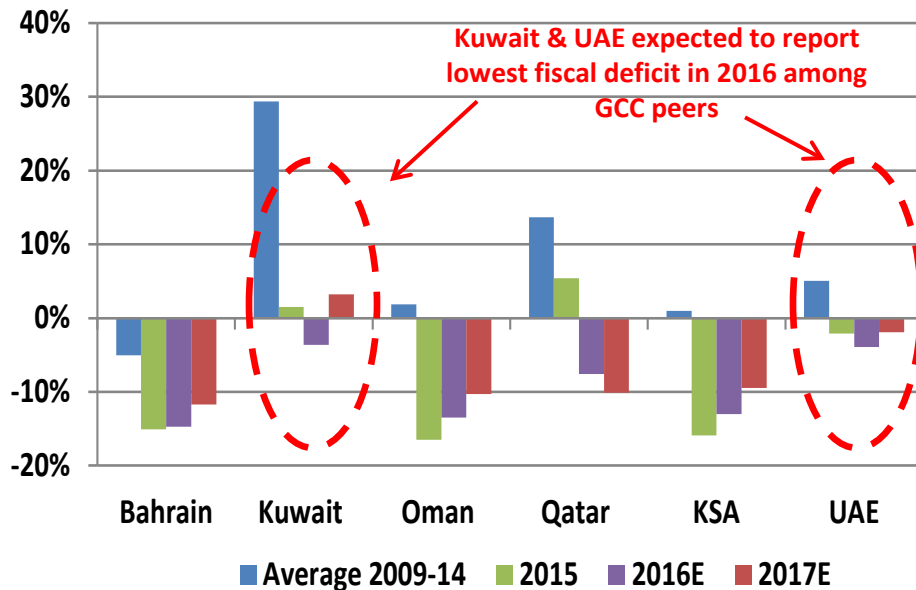
## B. Outlook for FY 2017



## 2016 proved to be a difficult year from macroeconomic perspective...2017 may not improve dramatically

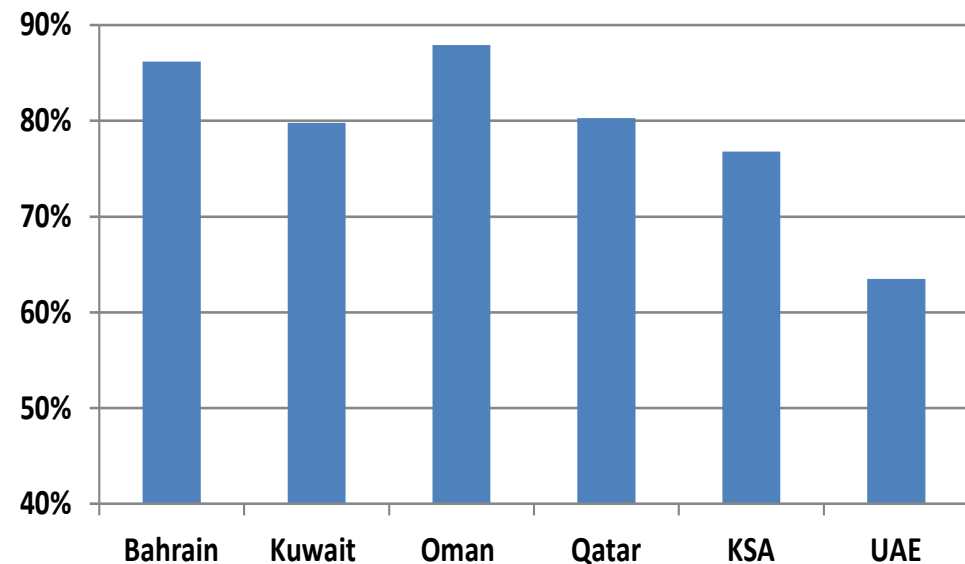
- The Average fiscal deficit for the GCC countries is expected to deteriorate from 7.1% of GDP in 2015 to 9.4% in 2016. GCC Fiscal deficit to remain at 6.7% in 2017.
- Oman has highest exposure of Oil and Gas revenues at 87.9% of total government revenues compared to 63.5% for the UAE.

Fiscal Balances as a % of GDP



Source: IMF, Regional Statistics Offices & Regional Ministries of Finance

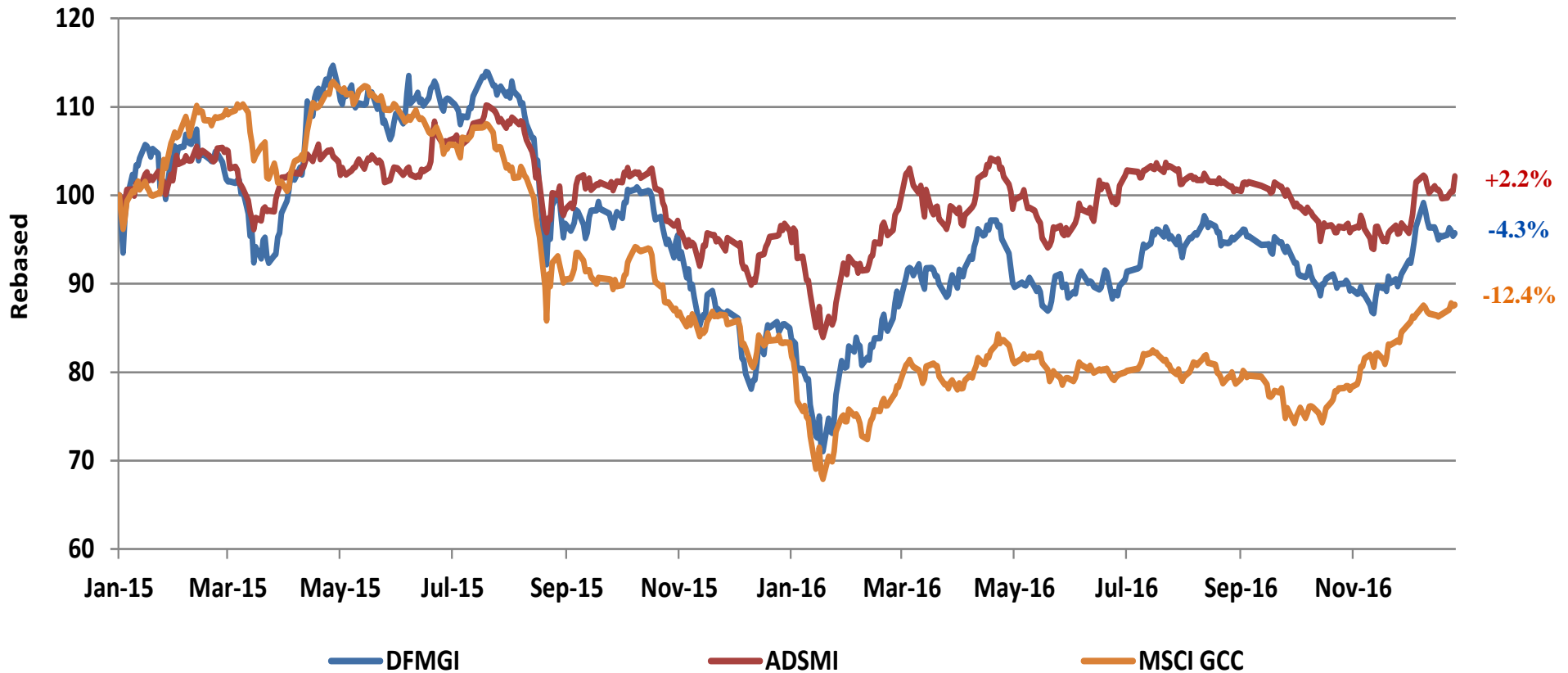
Oil Revenues as a % of Total Government Revenues, 2014



Source: IMF, Regional Statistics Offices & Regional Ministries of Finance

GCC market indices have remained sluggish over the last 24 months

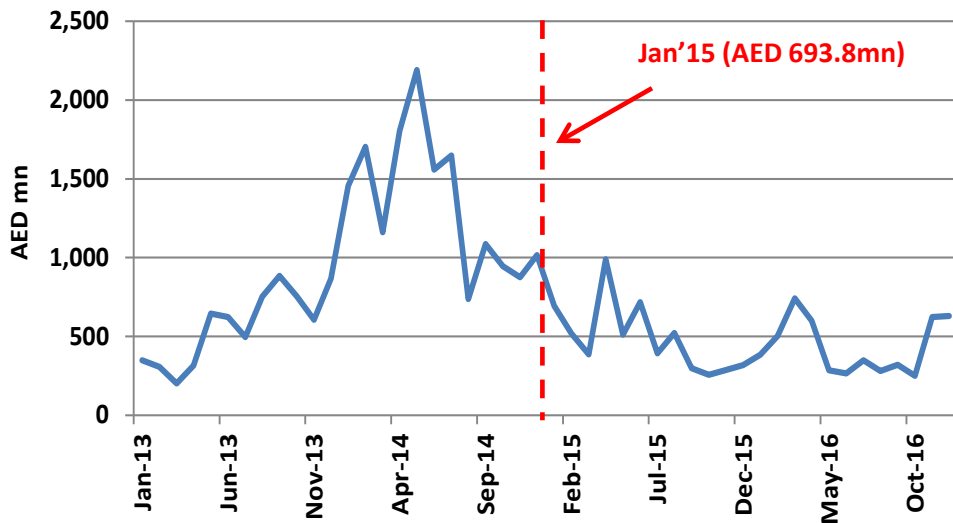
Market performance of key indices (Jan 2015 - Dec 2016)



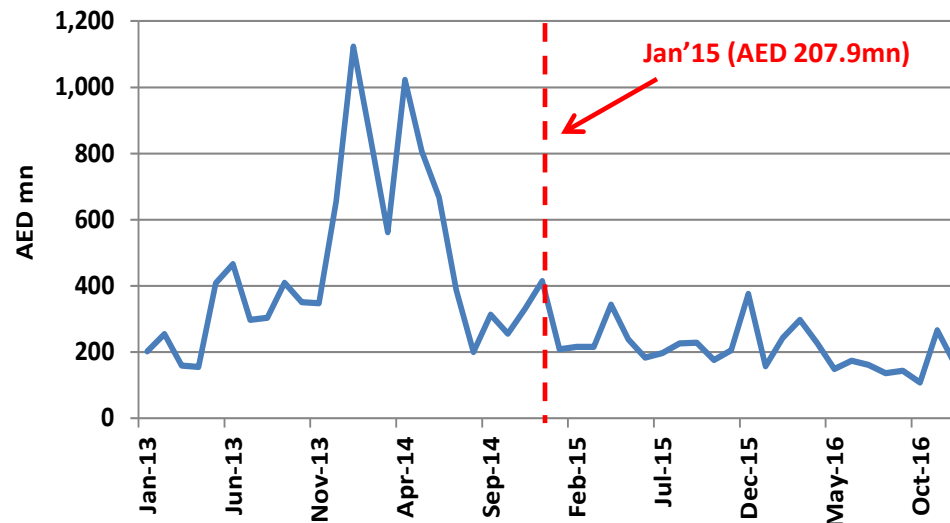
Source: Bloomberg, Daman Investments  
DFMGI = Dubai Financial Market General Index  
ADSMI = Abu Dhabi Securities Market Index  
MSCI GCC = MSCI GCC Countries Index

Market volumes in the UAE have remained lackluster in the last 12-24 months

DFMGI Average Daily Value Traded (AEDmn)



ADSMI Average Daily Value Traded (AEDmn)



# High Beta stocks have performed better than blue-chip stocks in 2016

## Dubai Financial Market - 31st December 2016

Small/Mid-Cap Stocks	Market Cap (AED mn)	Dec'16	Q4'16	2016
Union Properties	4,488.13	23.6%	51.7%	52.3%
GFH Financial Group	4,468.04	14.7%	82.9%	313.4%
SHUAA Capital	1,565.55	-1.3%	66.7%	264.5%
Gulf Navigation Holding	893.70	1.3%	40.0%	159.7%
Hits Telecom Holding	410.92	-0.6%	15.8%	51.0%
Large-Cap Stocks	Market Cap (AED mn)	Dec'16	Q4'16	2016
Emaar Properties	51,406.93	4.5%	0.4%	25.3%
Emirates NBD	46,685.31	5.1%	4.0%	14.7%
Emaar Malls	33,967.32	0.8%	-3.7%	-5.1%
DU	28,342.86	8.2%	-4.6%	21.6%
Dubai Islamic Bank	27,478.57	6.3%	2.8%	-9.9%

Dubai Financial Market General Index	302,932.22	5.06%	1.63%	12.06%
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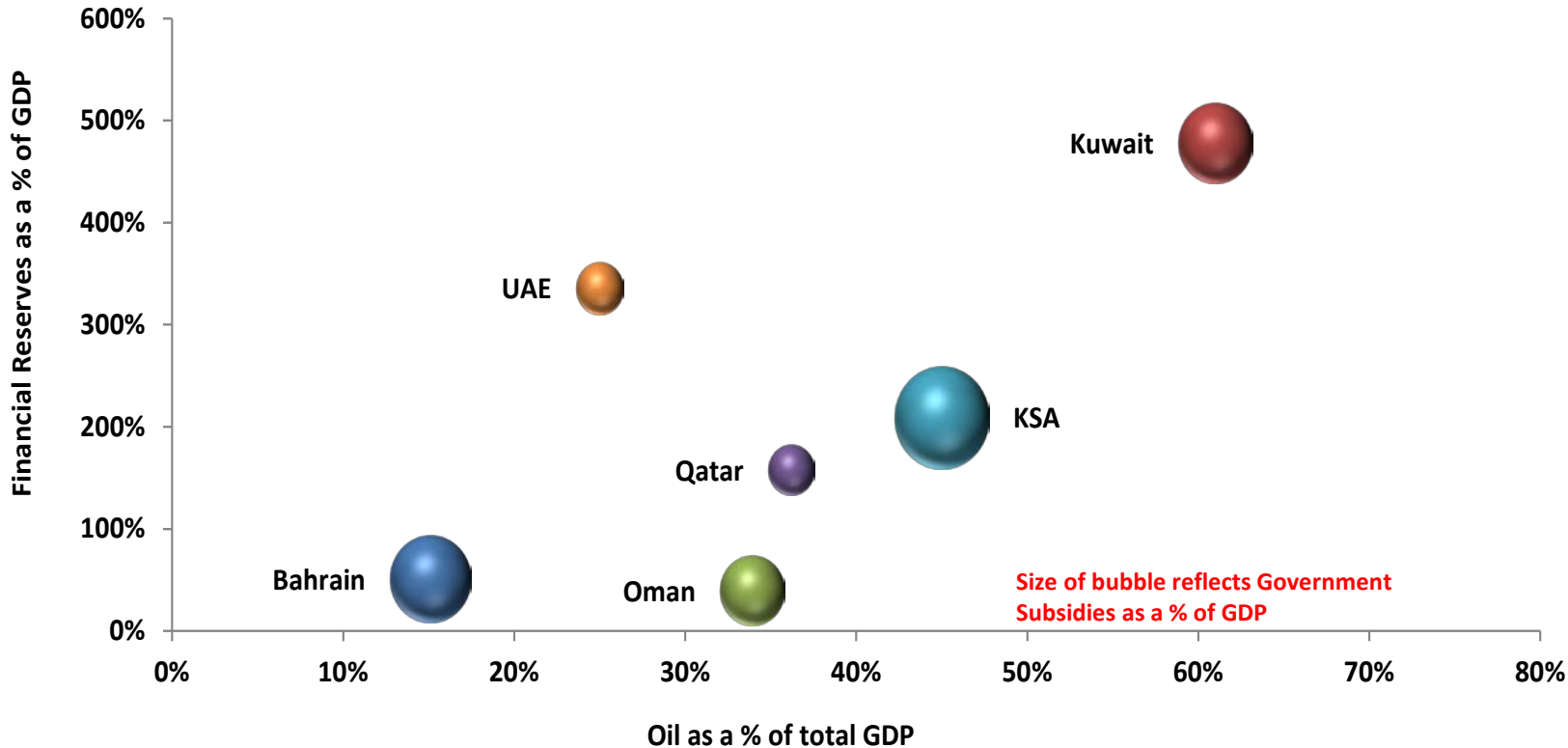
## Abu Dhabi Securities Market - 31st December 2016

Small/Mid-Cap Stocks	Market Cap (AED mn)	Dec'16	Q4'16	2016
Eshraq Properties Co	2,371.50	5.1%	25.3%	89.1%
Emirates Driving Co	2,229.54	27.6%	18.1%	27.6%
Union Insurance Co	722.78	15.0%	11.8%	59.4%
BILDCO	195.00	8.3%	20.4%	44.4%
Methaq Takaful Insurance	150.00	7.1%	2.3%	50.0%
Large-Cap Stocks	Market Cap (AED mn)	Dec'16	Q4'16	2016
Etisalat	163,933.81	0.8%	-6.0%	16.8%
First Gulf Bank	57,600.00	10.8%	8.9%	1.6%
NBAD	52,878.69	6.3%	8.8%	25.5%
ADCB	38,329.84	11.3%	7.0%	4.7%
Aldar Properties	20,442.84	6.0%	-1.5%	13.4%

Abu Dhabi Securities Market Index	443,490.84	5.51%	1.56%	5.55%
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# UAE seems to be better positioned among the GCC economies

Financial reserves as % of GDP vs. Oil as % GDP vs. Government subsidies as % of GDP (2015)



Most of the GCC governments have taken several actions to bridge fiscal deficits such as:

- Subsidy reforms
- Access to debt market
- Introduction of taxes (VAT)
- Divestment of state-owned enterprises
- Consolidation of business entities

## Introduction of VAT in the UAE: Myth vs. Reality

### Myth 1:

VAT will lead to increase in prices of essential commodities

- UAE plans to exempt healthcare and education sector and 150 essential food items from VAT , thus, limiting the negative impact on welfare spending.
- An introduction of 5% VAT by UAE in 2018 is too low to significantly impact selling prices of consumables .

### Myth 2:

VAT implementation will lead to higher inflation

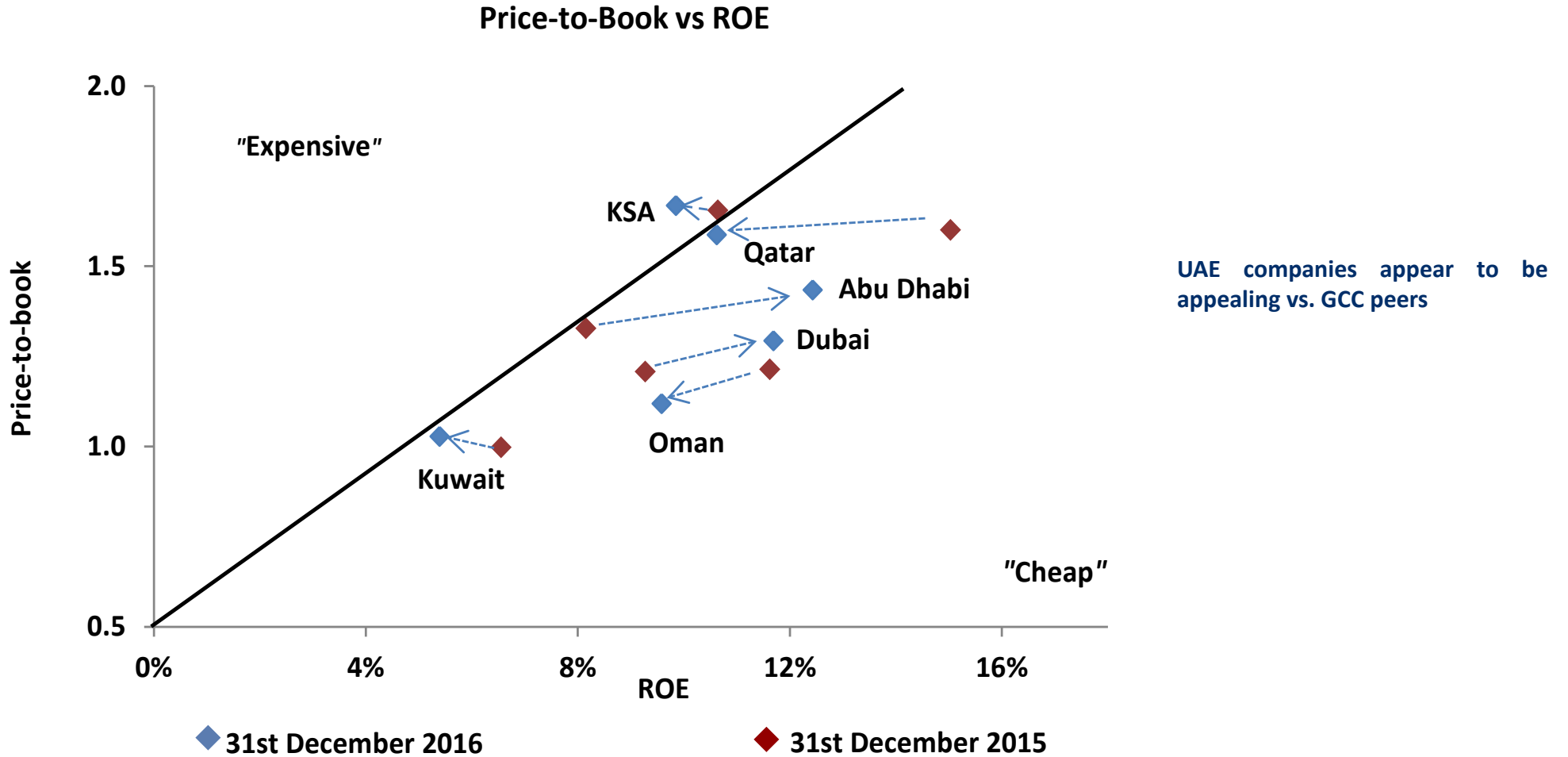
- Academic papers studying the impact of implementation of VAT in Canada, UK and the US shows that introduction of VAT at a rate of 5%-10% have only marginal impact on inflation.
- UK's introduction of VAT at 10% in April 1973 have not meaningful impact on inflation. Whilst Canada's introduction of Goods & Sales (GST) tax at 7% in January 1991 lead to rise in inflation from 5% to 7% in 4 months.

### Myth 3:

VAT will have negative impact on FDI

- Rather than merely a tax-free status, UAE's appeal resides in economic and political stability, world-class business infrastructure, free trade zones, access to growth markets in Asia and Africa, competitive labor, and less trade barriers.
- UAE government expects to generate revenues worth AED10-12bn in the first year of implementation of VAT that is expected to help government maintain fiscal stability and improve business competitiveness in the long-term.

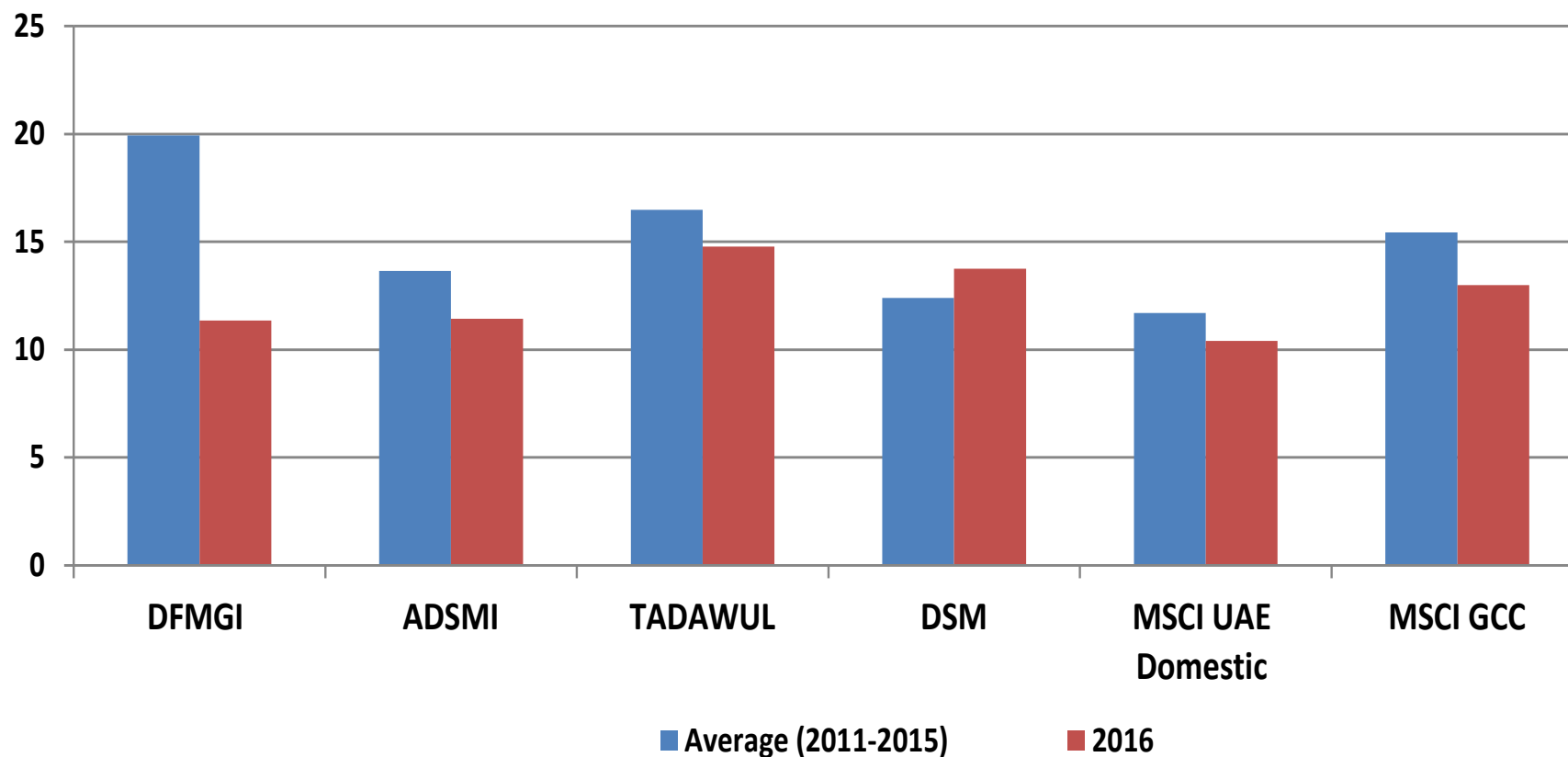
# Market valuations remain attractive



Source: Bloomberg, Daman Investments

GCC equities are trading at attractive valuations compared to their historic 5-year averages.

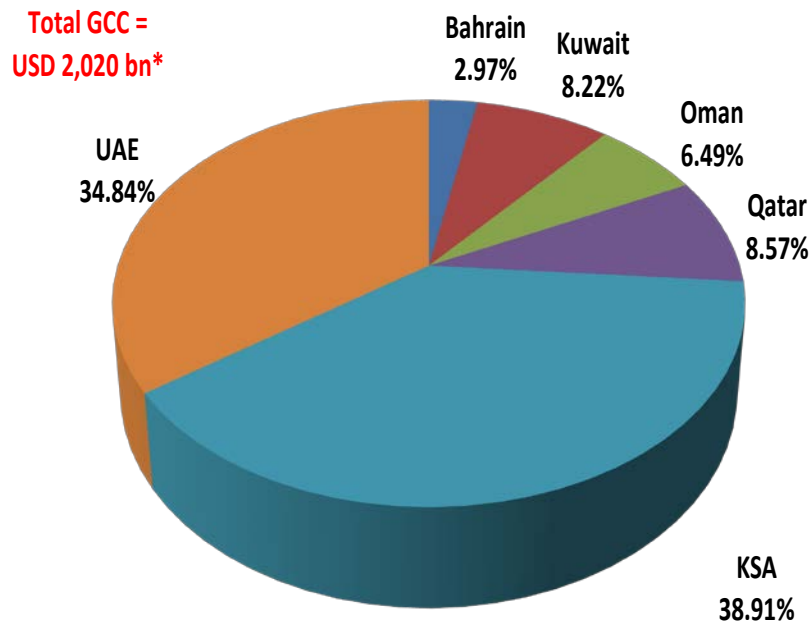
Average P/E ratio of major GCC markets



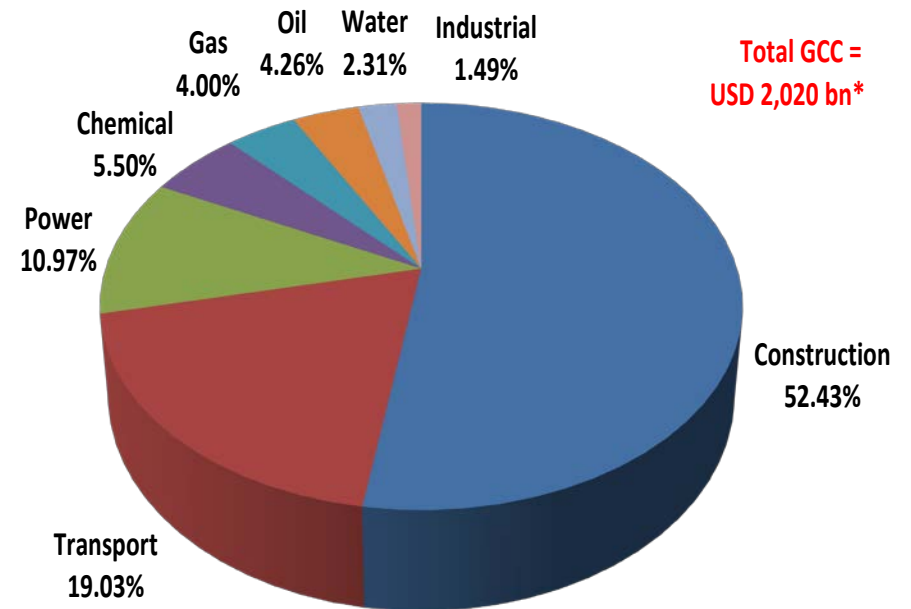


# KSA & UAE will continue to lead when it comes to projects

Net value of projects in pre-execution in the GCC - By Country



Net value of projects in pre-execution in the GCC - By Sector

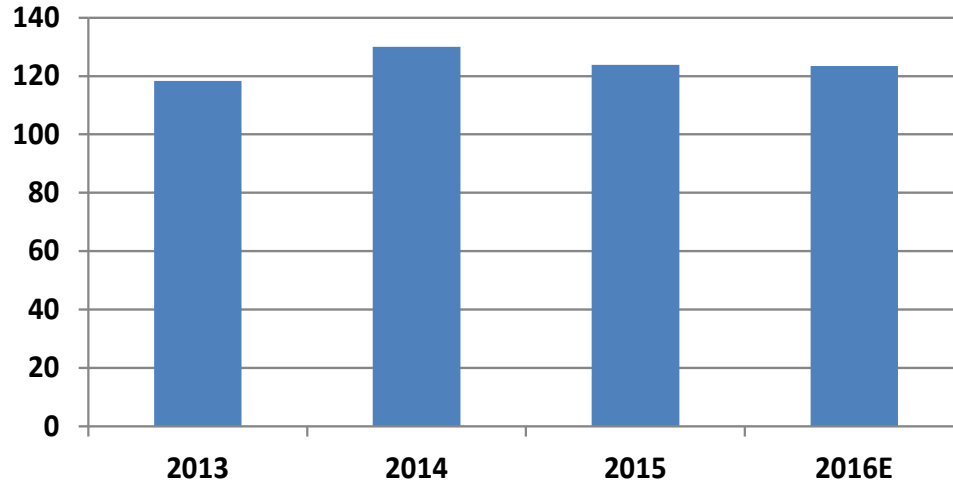


\* Note: Value of Projects as of H1 2016

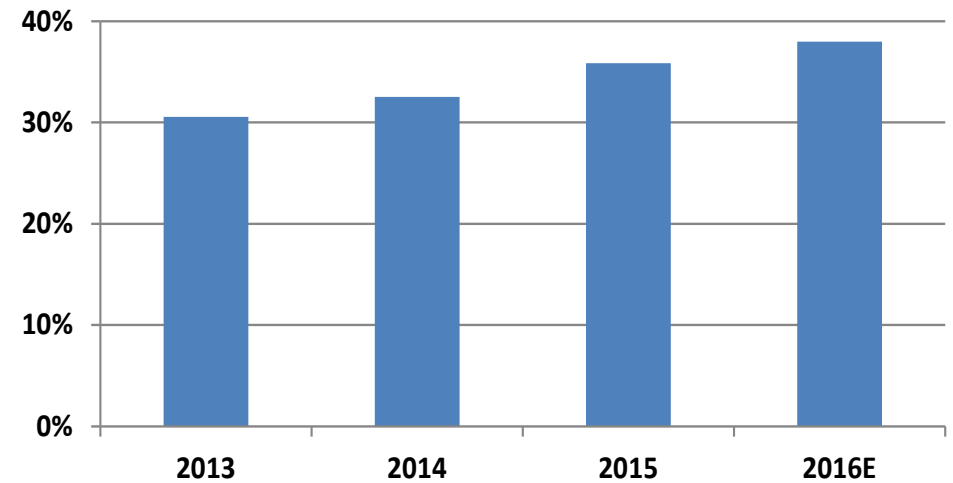
Source: Deloitte, MEED, Daman Investments

# UAE government spending has remained resilient in 2016

UAE Govt. Spending in USD bn



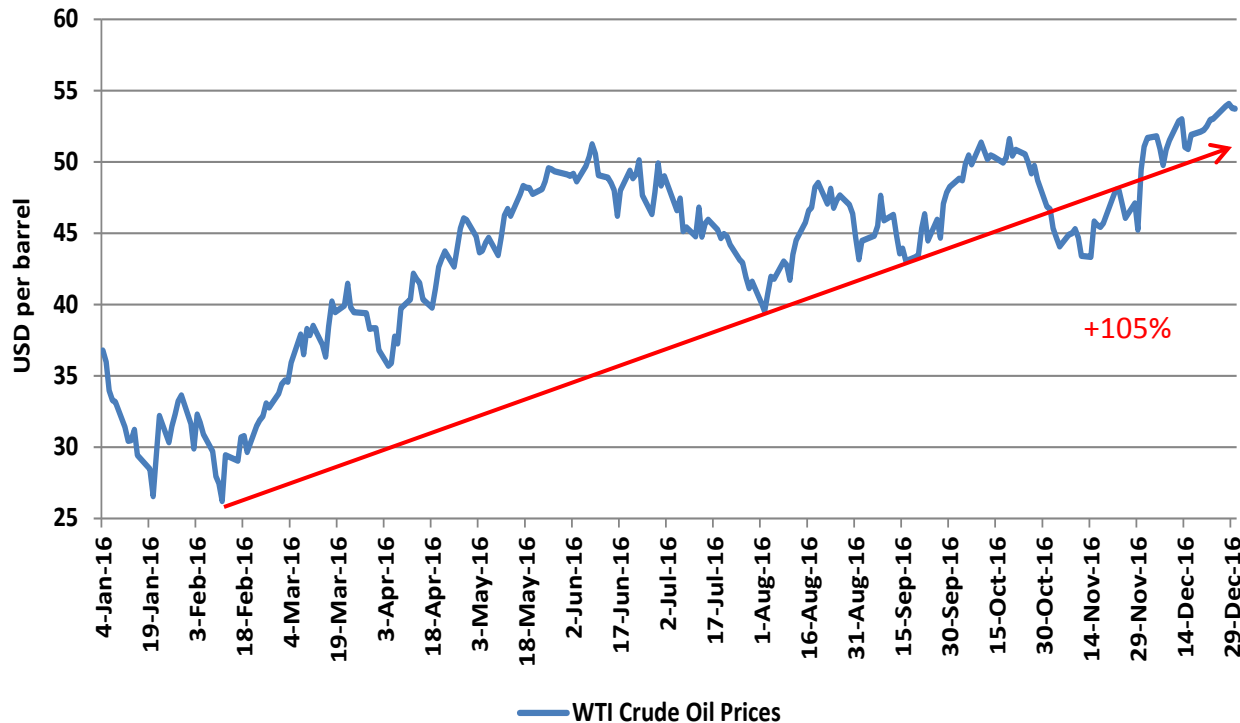
UAE Govt. Spending as a % of GDP



Dubai is currently working on multi-billion dollar projects. Some of the key projects are as follows:

- **Dubai Metro Extension:** Estimated cost of approx. USD 3bn
- **Al Maktoum Airport:** Estimated cost of approx. USD 33bn
- **Expo 2020 event:** Estimated cost of approx. USD 2.7bn – USD 3.3bn

## Crude oil prices expected to remain range-bound between USD50-USD60 in 2017



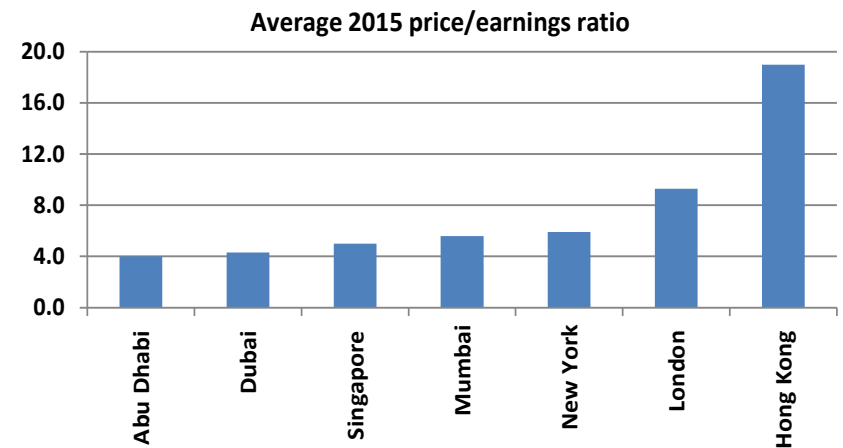
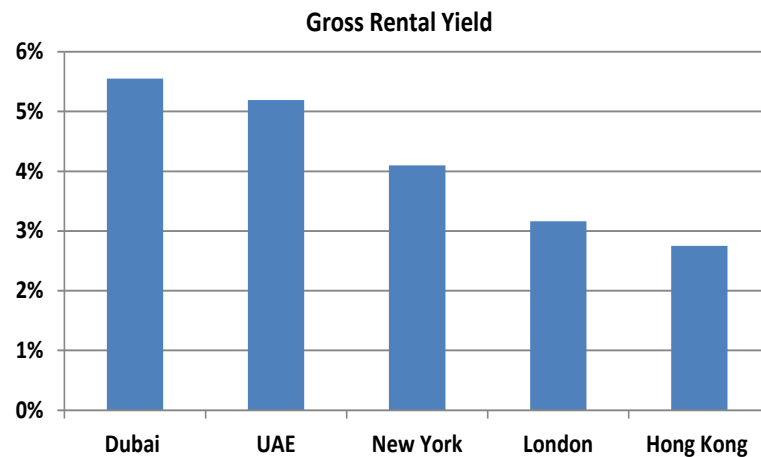
- Crude oil prices have stabilized from a free fall to a **more stable environment**.
- The consensus view is that the oil prices will be range-bound within USD 50-USD60. **We tend to agree with this view.**
- This is the **first time in several years** that OPEC has taken concrete steps to cap production, which implies the following:
  - A predictable crude oil price environment
  - Improvement in investor sentiments in the GCC due to the predictable nature of key commodity prices and clarity of macroeconomic policies and government actions.
- We believe that a stable and predictable oil price trajectory will be a **positive** for the economies in 2017.

- Syria remains a long drawn problem in the region; however, we believe that the **general security situation in the regions remains in control.**
- We believe **Iran will continue to strive to be integrated with the global mainstream economy.**
  - **Inward investments** into the country is the need of the hour.
  - However, the process of integration will be **evolutionary** rather than a sudden gush.
- **Daman's view:**
  - The GCC region has withstood several difficult periods in the recent past such as Global Credit Crisis (2008-09), Arab Spring (2011) etc.
  - The region has shown resilience in the past and has the ability to adapt to the difficult and changing environment and emerge stronger from these crisis events.
  - We believe that the GCC environment will be able to withstand the current low oil prices environment on the back of initiatives such as:
    - Subsidy reforms
    - Access to debt market
    - Introduction of taxes (VAT)
    - Divestment of state-owned entities / Consolidation of business enterprises

- UAE banks remains well-capitalized with **average dividend yields on offer at ca. 6%** for 2016E.
- UAE bank's P/L hurt by higher provision charges in 2016. With the introduction of Basel – III, **we expect to see increase in provisions for banks**. This will likely dampen bank's P/L in short-term, however, it remains **long-term positive for banking industry**.
- **Limited improvement is expected in the Net Interest Margins (NIMs)** due to rising Cost of Funds and the banks' inability to reprice assets upwards due to stiff competition.
- **Sector consolidation remains long-term positive** in the UAE give high credit penetration vs. GCC peers ; but we see this as a long-term story.

## UAE Real Estate sector

- **Oversupply** in the real estate sector in Dubai led to **22% y-o-y decline** in the value of total real estate transactions in 2016.
- Dubai's **Residential Property Sales price Index** has been declining since Q2'15; however, the pace of decline has slowed recently.
- Dubai developers remains **less prone to the impact of cancellations/defaults** on projects that are under construction due to **strict payment plans and attractive rental yields** .
- In terms of valuation, **Dubai remains an affordable investment destination vs. other global cities** with average 2015 P/E ratio at 4.3x vs. 5.9x for New York and 19.0x for Hong Kong.



## Key Conclusions on Market Outlook for 2017

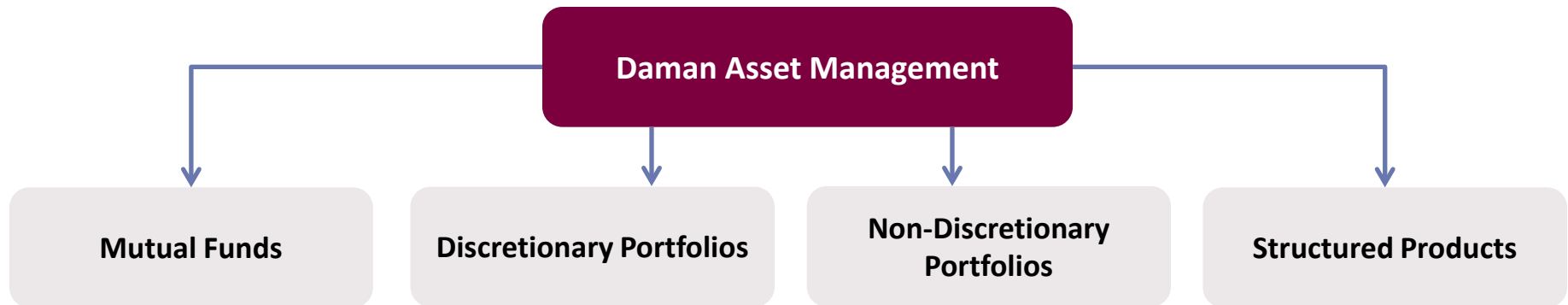
- Daman has a **proven track record** when it comes to gauging investor sentiments and projecting market outlook.
- From macroeconomic perspective, 2017 may not turn out to be significantly different from the difficult period seen in 2016. However, we believe that **2017 remains an important year for what it holds for the bright outlook that we see ahead.**
- We believe that **2017 will provide a spring-board** to benefit from the investment opportunities on the back of:
  - Subsidy reforms
  - Access to debt market
  - Introduction of taxes (VAT)
  - Divestment of state-owned enterprises
  - Consolidation of business entities
  - Rise in Event-driven activities (e.g. Expo 2020 in the UAE)

## C. Daman plans going forward



## Asset Management

- Daman Asset Management offers international-calibre investment management services with a local presence.
- **Current Offerings include:**



- Provide best-in-class bespoke portfolio management services investment products focusing on core competencies – GCC / MENA / Africa.
- Coming up with new family of funds with targeted offerings to include:
  - Equities and debt-based absolute return funds on GCC / MENA countries & regions
  - Alternative investments focusing on specialist themes, strategies
- Engagement with institutions to widen distribution network.

## Daman Mutual Funds Performance versus Benchmark Indices

Daman Funds	2016	2015	2014
Daman Second Emirates Fund	10.00%	-26.27%	20.85%
Daman Islamic Fund	5.79%	-25.07%	8.49%
Daman Speculator Fund	25.92%	-48.23%	-26.82%
Daman Fifth Fund	-4.10%	46.82%	269.59%

Country Indices	2016	2015	2014
Dubai Financial Market General Index	12.06%	-16.51%	11.99%
Abu Dhabi Securities Market Index	5.55%	-4.89%	5.56%
Saudi Stock Exchange Index (TASI)	4.32%	-17.06%	-2.37%
MSCI UAE Domestic Index	7.92%	-17.88%	10.76%
MSCI GCC Countries Index	5.07%	-16.72%	-2.17%

## Department Offering

Daman's Deal Structuring & Advisory (DSA) offers Unparalleled & Unique Investment Opportunities in the PE and VC space.

Current product portfolio includes:

### PE & VC Platforms

- Tech platform
- F&B platform
- Hotel platform

### Advisory

- M&A Advisory
- Restructuring
- IPO Advisory
- Corporate Advisory



WALDORF ASTORIA®  
HOTELS & RESORTS



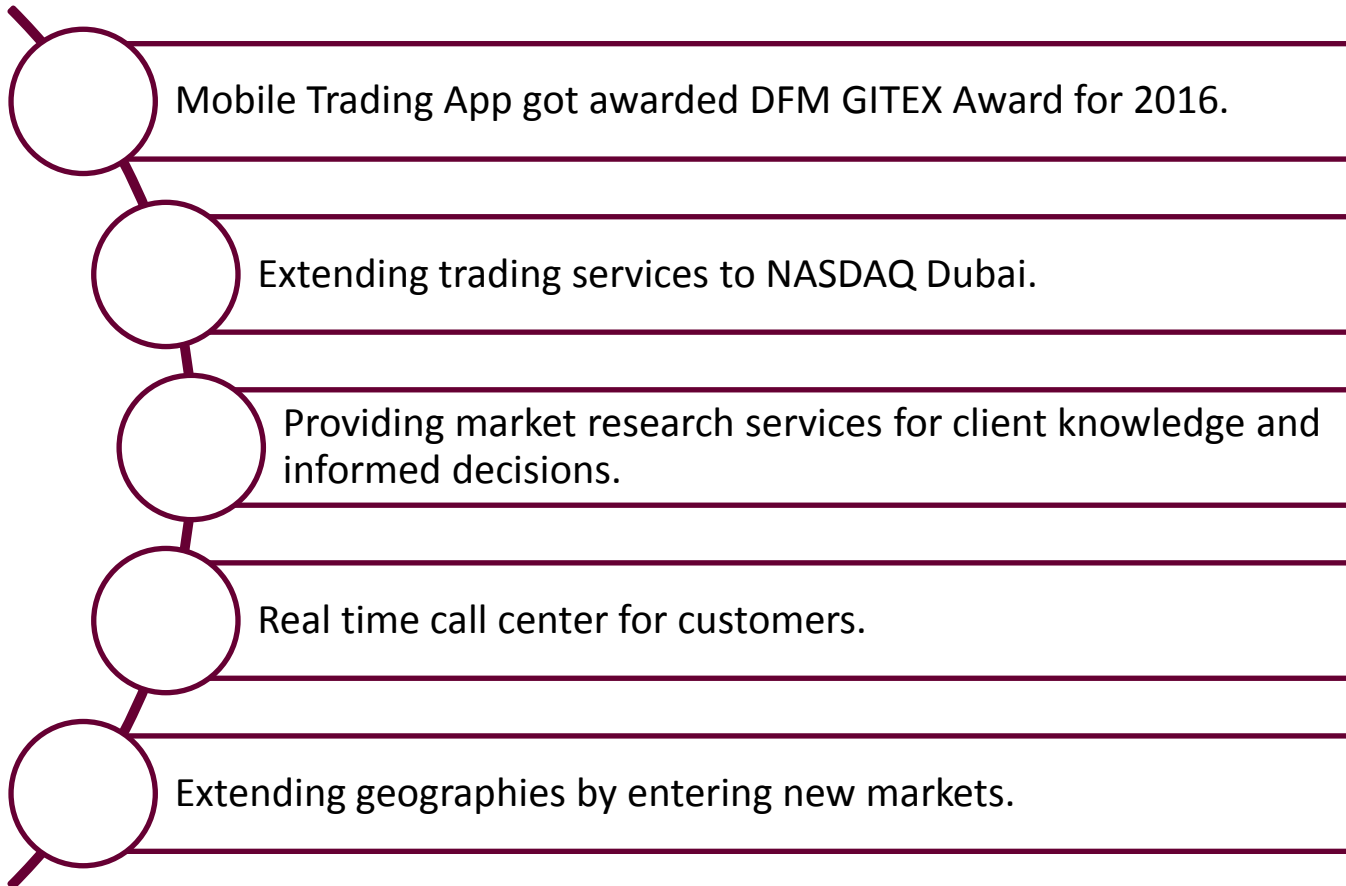
REST REPUBLIC  
REBELLIOUS PERFECTION



Hospitality

Food & Beverage

Tech and Others



### Sharia Trading

Providing Sharia Compliance Solutions



### UAE Trading

Local markets Top leading brokerage firm



### Margin Trading

Trade on Margin with leverage and trustworthy advisory



### New Advanced online trading through

- Daman Mobile App
- Daman Pro (standalone trading software)
- Daman web-trading platform

## Key Conclusions – Daman Plans for 2017

- Daman focus has been to **diversify its income streams** away from the traditional areas of Investments.
- **Asset Management:** The division is working towards:
  - Creating bespoke products to cater to inbound and outbound GCC funds
  - Improving its distribution reach by partnering with established entities
  - Creating white-labelled products for targeted clients
  - Developing client-centric Wealth Management solutions for Ultra-High Net Worth individuals and institutional clients
- **Deal Structuring & Advisory:** Along with continuing advisory functions in M&A, Corporate Finance and Restructuring, we have also made strides into lucrative and promising sectors which are aligned with the UAE 2021 vision, such as:
  - F&B
  - Technology
  - Hospitality
- **Daman Securities:** This company is working towards:
  - Improving its reach through the launch of mobile trading app and online trading support
  - Providing margin-trading support
  - Focused on acquiring new trading accounts and deepening existing relationships
  - Extending geographies by entering new markets

Thank You!

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