

# Monthly Kuwait Market Report

October 2020

## HANetf & KMEFIC

### KMEFIC FTSE Kuwait Equity UCITS ETF

KUW8

80bps

IE00BGPBVS44

Product Inception Date: 15/04/2019

For Professional Clients Only. Capital at risk.

This report was written by and is the opinion of the KUW8 fund partners KEFIC

## Key Takeaways

- The MSCI inclusion is expected to drive up the Kuwaiti stock market leading up to the event in November through buy side pressure.
- Kuwait's Emirs demise caused a temporary intraday decline of 3.4% which recovered as markets opened back up in the first days of October.
- The oil price war in Q1, weak Q2 earnings & Covid-19 impact has created a buying opportunity ahead of the MSCI inclusion as most announcement and inclusion premiums have been wiped.

## KMEFIC FTSE Kuwait Equity UCITS ETF Performance

September*	YTD**	12 Month***
2.79%	-13.35%	-2.5%

Past performance is no guarantee of future performance.

Source: Bloomberg, HANetf

\* September figures based on 31.08.20 – 30.09.20

\*\*YTD figures based on 31.12.19 - 30.09.20

\*\*\*12 Month figures based on 30.09.19 -30.09.20

## Performance Review

Kuwait markets ended the month positively, with the Kuwait All Share Index registering a gain of 2.56% in September<sup>1</sup>. A temporary sharp intraday decline of -3.4% in the Kuwait All Share Index was attributable to the sad event of the passing of the Kuwaiti Emir. The effects of the temporary decline in the stock market have been reversed in the opening few days of October.

Regionally, The S&P GCC composite index gained 2.5%, with all markets except Abu Dhabi and Oman ending the month in positive territory. Premier Market Index gained 2.24% during the month as 15 out of 20 constituents of the index saw monthly gains<sup>2</sup>. Among Kuwait sectors, insurance was the top gainer, rising 8.3%, while the consumer goods index saw the biggest decline, down -3.6% for the month. Among blue chips, Kuwait Finance House (KFH) gained the most at 5.6%, followed by Agility Public Warehousing gaining 5.3%, while Mobile Telecommunications (Zain) lost -2.7% for the month. Fitch has affirmed KFH's ratings at A+ with stable outlook.<sup>3</sup>

Market liquidity in September, as indicated by the average daily traded value, has increased by 44% over previous month to USD \$165million<sup>4</sup>.

Moreover, Moody's credit rating agency has downgraded Kuwait's sovereign credit rating two notches from Aa2 to A1. This is owed to increased liquidity risk due to rapidly depleting liquid reserves and weak institutional strength due to its inability to adjust fiscal policy as the expenditure structure remains rigid.

<sup>1</sup> Source: Reuters

<sup>2</sup> Source: Boursa Kuwait

<sup>3</sup> [https://www.zawya.com/mena/en/markets/story/GCC\\_markets\\_positive\\_in\\_September\\_despite\\_recovery\\_concerns\\_report-SNG\\_186252078/](https://www.zawya.com/mena/en/markets/story/GCC_markets_positive_in_September_despite_recovery_concerns_report-SNG_186252078/)

<sup>4</sup> ibid

## KMEFIC FTSE Kuwait Equity UCITS ETF

Total Return NAV to Date (up to 30/09/2020)

	1M	3M	6M	YTD	12M	Since Inception
KMEFIC FTSE Kuwait Equity ETF (Acc)	2.79 %	8.65%	16.12%	-13.35%	-2.5%	-3.31%
<i>FTSE Kuwait All Cap 15% Capped Index (NTR)</i>	<i>2.74%</i>	<i>8.71%</i>	<i>20.35%</i>	<i>-10.89%</i>	<i>0.15%</i>	<i>0.05%</i>

Past performance for the index is in USD. **Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product.** Investors should read the prospectus of the Issuer (“Prospectus”) before investing and should refer to the section of the Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in this product. Source: Bloomberg / HANetf. Data as of 30/09/2020

## Industry News

### Agility PPP Deal

Kuwait-based Agility Public Warehousing Company KSCP has announced the value of its public private partnership with Public Authority for Housing Welfare (PAHW), at KD 104 million (\$340 million). Under the agreement, the public warehousing company, a fully owned subsidiary of Agility, provides the development with 1.2 million sqm of land for industrial and storage zones, plus a work camp in Sabah Al Ahmed Residential Area for 30 years<sup>5</sup>.

### Shariah supervision

The Central Bank of Kuwait (CBK) has approved the establishment of a Higher Committee of Shariah Supervision to underpin the governance of Shariah supervision and compliance in Islamic finance and banking institutions based on international best practices<sup>6</sup>.

### Boursa Kuwait Listing

Boursa Kuwait, following its successful IPO, surged more than 10 times in its trading debut this month, as it became the third publicly traded exchange in the Middle East after the Dubai Financial Market and Tel Aviv Stock Exchange respectively<sup>7</sup>.

## Outlook

GCC equity markets continued their 6<sup>th</sup> month of positive results in August. Kuwait markets gained 2.56% in September as per the All Share Index. Market liquidity in August has increased 44%.

S&P's rating agency estimates Kuwait's GDP to fall by 7.0% in 2020, with economic recovery gaining momentum in 2022.

Oil prices closed at \$41.0 per barrel at the end of September 2020, posting a monthly loss of 9.6%. Persisting Covid-19 fears, renewal of some lockdown restrictions in the Eurozone and expectation of lower oil imports by China have led to fall in prices.<sup>8</sup>

However overall market sentiments are positive as even small cap stocks seem to be moving positively. The MSCI inclusion in November 2020, with an initial weighting of approximately 0.69%, is expected to drive up to \$10 Billion of active and passive flows into companies listed on Boursa Kuwait. This expectation in turn is expected to drive up the stock market as active investors will attempt to profit from this event.

<sup>5</sup> [https://www.zawya.com/mena/en/business/story/Kuwait\\_Agility\\_signs\\_340mln\\_30year\\_PPP\\_deal-ZAWYA20200910062433/](https://www.zawya.com/mena/en/business/story/Kuwait_Agility_signs_340mln_30year_PPP_deal-ZAWYA20200910062433/)

<sup>6</sup> [https://www.zawya.com/mena/en/business/story/Kuwait\\_central\\_bank\\_forms\\_Higher\\_Committee\\_of\\_Shariah\\_Supervision-ZAWYA20201006040147/](https://www.zawya.com/mena/en/business/story/Kuwait_central_bank_forms_Higher_Committee_of_Shariah_Supervision-ZAWYA20201006040147/)  
[https://www.zawya.com/mena/en/business/story/Kuwait\\_central\\_bank\\_forms\\_Higher\\_Committee\\_of\\_Shariah\\_Supervision-ZAWYA20201006040147/](https://www.zawya.com/mena/en/business/story/Kuwait_central_bank_forms_Higher_Committee_of_Shariah_Supervision-ZAWYA20201006040147/)

<sup>7</sup> [https://www.zawya.com/mena/en/markets/story/GCC\\_markets\\_positive\\_in\\_September\\_despite\\_recovery\\_concerns\\_report-SNG\\_186252078/](https://www.zawya.com/mena/en/markets/story/GCC_markets_positive_in_September_despite_recovery_concerns_report-SNG_186252078/)

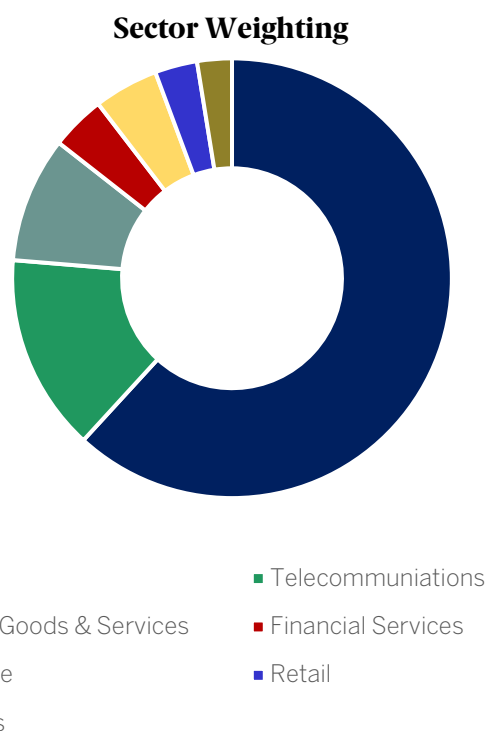
<sup>8</sup> [https://www.zawya.com/mena/en/markets/story/GCC\\_markets\\_positive\\_in\\_September\\_despite\\_recovery\\_concerns\\_report-SNG\\_186252078/](https://www.zawya.com/mena/en/markets/story/GCC_markets_positive_in_September_despite_recovery_concerns_report-SNG_186252078/)

## Constituent News

**Agility Public Warehousing Co** will invest KWD 20 million (\$65.5 million) in alternative technologies, in cooperation with the US-based Colle Capital Venture Fund.<sup>9</sup>

**National Bank of Kuwait (NBK) & Kuwait Finance House (KFH)** have signed a credit facility agreement worth KWD 1 billion (\$3.0 billion) with Kuwait Petroleum Corporation (KPC) to fund the KPC's capital expenditure.<sup>10</sup>

TOP 10 CONSTITUENTS AND WEIGHTS	(%)
Kuwait Finance House KSCP	15.34%
Ahli United Bank BSC	14.71%
National Bank of Kuwait SAKP	14.69%
Mobile Telecommunications Co K	14.50%
Agility Public Warehousing Co	8.46%
Boubyan Bank KSCP	6.59%
Mabaneer Co SAK	4.75%
Gulf Bank KSCP	4.71%
Humansoft Holding Co KSC	3.12%
Warba Bank KSCP	2.73%



Source: HANetf, data as of 30/09/20

## Fund Details

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KMEFIC FTSE Kuwait Equity UCITS ETF is a UCITS compliant Exchange Traded Fund domiciled in Ireland.

The fund tracks the FTSE Kuwait All Cap 15% Capped Index, an index of large, mid and small cap securities trading on the premier or main market of Kuwait Stock Exchange. The fund seeks to provide targeted exposure to an emerging market with significant growth potential.

Please remember that the value of your investment may go down as well as up and past performance is no indication of future performance.

- [KUW8 Factsheet](#)
- [KUW8 Video](#)
- [KUW8 Whitepaper](#)
- [KUW8 Fund Page](#)
- [The Benefits of an ETF Structure for Accessing Kuwaiti Equities](#)

Exchange	Bloomberg Code	RIC	ISIN	SEDOL	Currency
London Stock Exchange	KUW8 LN	KUW8.L	IE00BGPBVS44	BGY9KV5	USD
London Stock Exchange	KUWP LN	KUWP.L	IE00BGPBVS44	BGSXQZ9	GBP
Borsa Italiana	KUW8 IM	KUW8.MI	IE00BGPBVS44	BGSGKH8	EUR
Deutsche Boerse Xetra	KUW8 GY	KUW8G.DE	DE000A2PD3R9	BJ9ZLG1	EUR

## Webinars

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Please see upcoming webinars here [www.hanetf.com/webinars](http://www.hanetf.com/webinars)

## KUW8 Fund News

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KUW8 was converted to the **ICSD Settlement Model** on 30<sup>th</sup> July

## Press

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- [HANetf Adopts ICSD Settlement Model For 6 ETFs including KUW8](#)
- [Delayed MSCI Kuwait Inclusion Provides Opportunity for Investors | KUW8](#)

## About HANetf

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HANetf is an independent ETF specialist working with third-party asset managers to bring differentiated, modern and innovative ETF exposures to European investors via unique white-label ETF/ETC platform.

Founded by two of Europe's leading ETF entrepreneurs, Hector McNeil and Nik Bienkowski, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers who want to successfully launch and manage UCITS ETFs.

For further information, please visit [www.hanetf.com](http://www.hanetf.com)



### **Abdullah Al-Busairi**

#### **Director – Advisory & Product Development**

Mr. Al-Busairi joined KMEFIC in 2014 and was responsible for advisory and analysis for local Kuwait equities as well as regional MENA markets. In 2017 he shifted focus to the development of new financial products for Kuwaiti equities. The new position culminated in the launch of KUW8 as the first Kuwait Equities ETF listed in European Markets. Mr. Al-Busairi has a Bachelor's degree in Finance from Bentley University graduating Magna Cum Laude.

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2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing under the terms in the Base Prospectus approved by the Central Bank of Ireland and the final terms of the relevant series (“Issue Documentation”) is the issuer of the precious metals ETCs. Investors should read the latest version of the Issue Documentation before investing and should refer to the section of the Base Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the Issue Documentation.

3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) and the final terms (“Bitcoin Prospectus”) is the issuer of the Bitcoin ETCs. Investors should read the latest version of the Bitcoin Prospectus before investing and should refer to the section of the Bitcoin Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the Bitcoin ETCs. Any decision to invest should be based on the information contained in the Bitcoin Prospectus.

The Issue Documentation, ETF Prospectus and Bitcoin Prospectus can all be downloaded from [www.hanetf.com](http://www.hanetf.com).

The decision and amount to invest in any Product should take into consideration your specific circumstances after seeking independent investment, tax and legal advice.