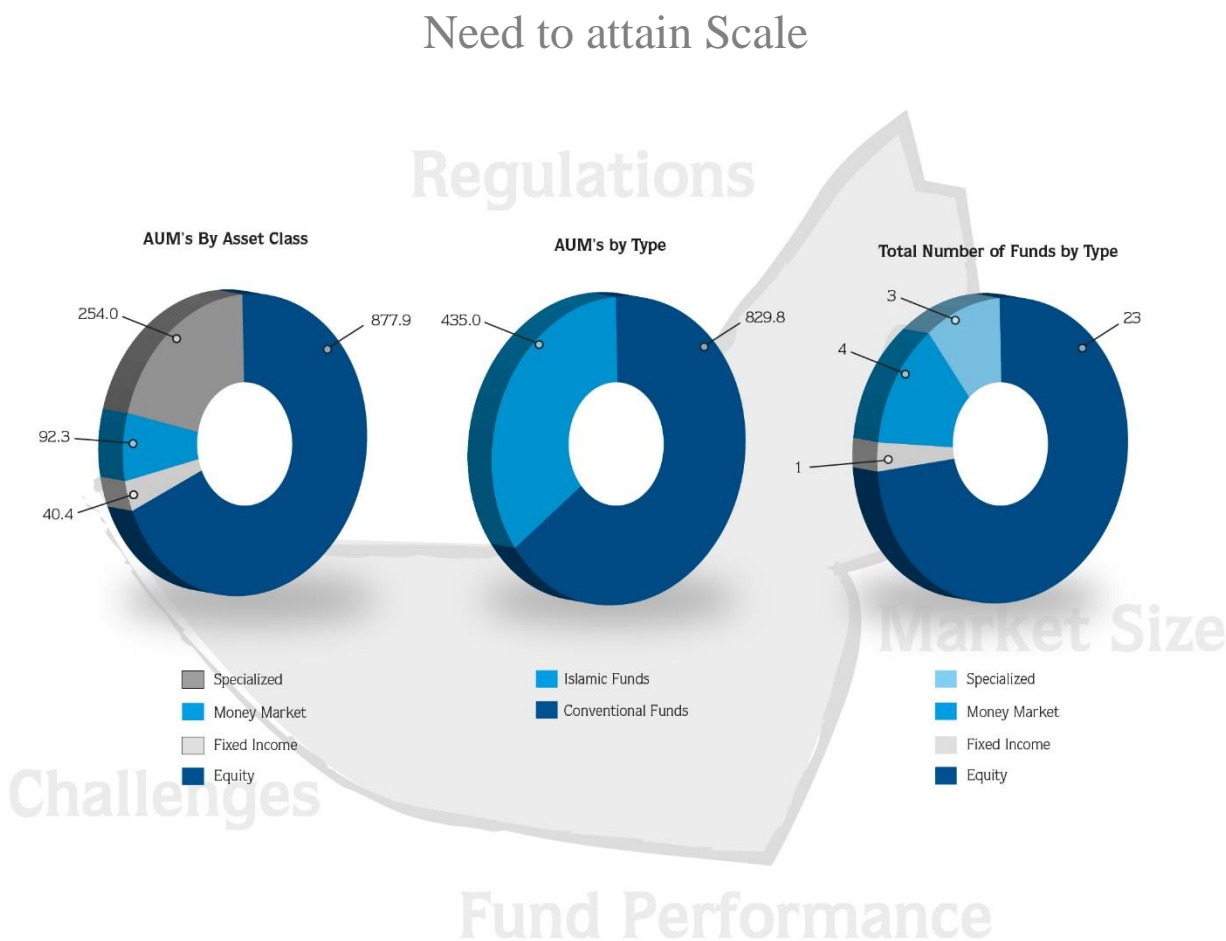


Marmore Industry Reports 2015

UAE Asset Management



Research Highlights:

Analysing the state of UAE Asset Management Industry in terms of market segment, participants, fund performance, regulatory developments and industry challenges.

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Table of Contents

1. Executive Summary	6
2. Industry Architecture	8
3. Market Segments.....	15
Capital Markets	15
Debt Market.....	21
Alternative Funds	28
4. Market Participants	29
Pension Funds.....	29
Insurance Companies	30
Sovereign Wealth Funds	32
Foreign Investors	35
Retail Participation.....	35
5. Frontier to Emerging Markets and MSCI Stance	37
6. Mutual Fund Analysis.....	39
AUM Break Up.....	39
Leadership Position	40
Fund Performance	41
Equity Funds.....	42
Fixed Income Funds	44
Money Market Funds	44
Specialized Funds.....	46
Managed Assets	46
7. Industry Challenges.....	48
8. Regulatory Bodies & Developments.....	50
Market Regulator.....	50

Corporate Governance in UAE	50
Market Maker regulation and other related regulations	51
UAE new investment fund and its amendment	51
Factors that make DIFC attractive.....	53
9. Annexure	57

Tables and Charts

	Tables		Charts
2.1	Product Profile of Different Exchanges in the UAE	2.1	Industry Architecture
3.1	Top 5 Blue Chips, Dubai Financial Market	2.2	Fund Distribution Network
3.2	Top 5 Blue Chips, Abu Dhabi Securities Exchange	3.1	DFM-Market Capitalization/ GDP (2003- Q1 2015)
3.3	IPO Performance in UAE, 2014	3.2	Turnover Ratio (DFM) (Total value Traded/ Market Cap) (2003- 2014)
3.4	Top 5 Bond Issuance in 2014 (By Size)	3.3	Sector Weightage, Dubai Financial Market
3.5	UAE- Sukuk Issuance -2014	3.4	ADX- Market Capitalization/ GDP (2003-2014)
3.6	Alternative Funds – UAE	3.5	Turnover Ratio (ADX) (Total value Traded/Market Cap) (2003- 2014)
4.1	Asset Allocation ADRPBF	3.6	Sector Weightage, Abu Dhabi Securities Exchange
4.2	Asset Allocation: UAE Insurance Companies (2010 -14)	3.7	Trend of IPO issuance (USD Mn)
4.3	Sovereign Wealth Funds: UAE	3.8	Trend of total conventional Bond Market issuance (USD Bn)
4.4	Asset Allocation by region (ADIA)	3.9	Sector Wise Bond Issuance, 2014
5.1	Current Stance of MSCI	3.10	General Government Gross Debt (% of GDP)
6.1	Assets under Management - Summary (July 2014)	3.11	Trend of Sovereign (conventional) Bond Market issuance (USD Bn)
6.2	Top 5 Fund Managers - 2014	3.12	Trend of Quasi-Sovereign (conventional) Bond Market issuance (USD Bn)
6.3	Top Five Fund Managers based on returns (July 2014- July 2015 (Equity Conventional))	3.13	Trend of Corporate (conventional) Bond Market issuance (USD Bn)
6.4	Islamic Equity Funds	3.14	Sector-Wise Issue of Corporate Bonds, 2014
6.5	Islamic Money Market Funds	3.15	Trend of Sukuk Bond Market issuance (USD bn)
6.6	Specialized Funds	4.1	GCC Insurance Penetration in 2014 (Premium as a % of GDP) (Total Business)
7.1	Average Fund Size in the UAE	4.2	GCC Insurance Density in 2014 (Premiums Per-Capita in USD) (Total Business)
8.1	IPO Regulations: UAE vs International Standards	4.3	Asset Allocation by Asset Class
8.2	SWOT Analysis	4.4	Dubai Financial Markets, value Traded by investor Type
9.1	Consolidated Fund manager Rankings	4.5	Abu Dhabi Securities Exchange, value traded by investor type
9.2	UAE Equity Funds: Conventional	6.1	UAE. Fund Break Up Conventional and Islamic
9.3	UAE Equity Funds: Islamic	6.2	UAE. Fund Break Up Asset Type
9.4	UAE: Fixed Income Fund	6.3	DFM Index Return
9.5	UAE: Money Market Fund	6.4	Abu Dhabi Securities Exchange Returns
9.6	UAE: Specialized Fund - Islamic	6.5	Asset-Weighted Returns, July 2014- July 2015 (in %)
9.7	IPO Issues 2014 -2015	6.6	Top 5 Conventional Equity Funds
9.8	Bond Issues 2014-2015	6.7	Allocation of Daman Islamic Fund
9.9	UAE- Sukuk Issuance -2014	6.8	Islamic Money Market Funds
9.10	UAE Private Equity Funds		
9.11	Investment Funds Multiple Matrix		

1. Executive Summary

In terms of products, equity funds lead the pack with 69% share, followed by specialized funds at 20%.

The UAE asset management industry manages USD 1,264.8mn¹ in assets in about 31 funds as of 21st July, 2015. In terms of products, equity funds lead the pack with 69% share, followed by specialized funds at 20%. Remainder of the assets is spread across money market and fixed income funds. Of the total assets, Islamic funds manage USD 435mn (34.4%) in assets and rest is conventional funds. In terms of the number of funds, there are 23 equity funds, 4 money market funds, 3 specialized funds and 1 fixed income fund.

AUM/GDP ratio for the UAE stands at merely c. 0.5%, implying lack of mutual fund penetration as an investment option.

AUM/GDP ratio for the UAE stands at merely c. 0.5%, implying lack of mutual fund penetration as an investment option. The UAE asset management market is small in comparison to Saudi Arabia and Kuwait. The top five asset managers (out of a total of 10) account for 75% of the total assets being managed; Abu Dhabi Commercial Bank PJSC leads the list of large asset management companies with USD 374mn in assets (29% market share), followed by Emirates NBD Asset Management Limited with USD 339mn in assets (26% share) and Abu Dhabi Investment Company with USD 153mn in assets (12% share).

Abu Dhabi Securities Exchange had a market capitalization-to-GDP ratio of 30% while the Dubai Financial Market had a market capitalization-to-GDP ratio of 22% at the end of 2014. Both Dubai Financial Market and Abu Dhabi Securities Exchange are regulated by Securities and Commodities Authority. Nasdaq Dubai is regulated by the Dubai Financial Services Authority (DFSA). Abu Dhabi securities exchange index and Dubai Financial Markets index registered gains of 6% and 12% respectively in 2014 which was lower than 63% and 108% gains made in 2013. MSCI announced upgradation of UAE market indices from 'frontier market' to 'emerging market' status in May 2013. All these factors point towards increased investor confidence in the UAE equity capital markets which can give a thrust to equity capital market activity.

¹ Assets under Management (AuM) refer to mutual fund assets. AuM value computed for funds with the UAE as their geographical focus.

The bond markets in UAE are not as developed as the equity markets.

The bond market saw increased activity in the year 2014 compared to the year 2013 with issue size increasing from USD 9.4bn to USD 14.3bn. The number of issues increased from 26 to 38. The bond markets in UAE are not as developed as the equity markets. The UAE capital markets are characterized by a dominance of retail investors by trading activity. Individual participation was 57.9% in the total value traded of Dubai Financial Market. Individual participation was 65.5% in the total value traded of Abu Dhabi Securities Exchange (May 2015).

UAE is home to one of the largest Sovereign Wealth Funds.

Pension funds, insurance companies and sovereign wealth funds are some of the institutional participants in the UAE asset management industry. UAE lacks a fully developed private and employer managed pensions industry. The UAE total retirement benefit is managed by two state providers – the General Pensions and Social Security Authority and the Abu Dhabi Retirement Pensions & Benefit Fund. In terms of insurance penetration, total revenue and insurance density, the UAE is the leading country in the GCC region.

UAE is home to one of the largest Sovereign Wealth Funds (SWF), Abu Dhabi Investment Authority with an AUM of USD 773bn. UAE boasts of a total of 7 SWFs.

The UAE asset management industry faces challenge in terms of an elusive AUM growth, comparatively smaller fund size, marketing and distribution of funds, and a dearth of mutual fund research. Steady progress on regulatory front, positive economic outlook, and strong performance of stock markets augurs well for the asset management industry.

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