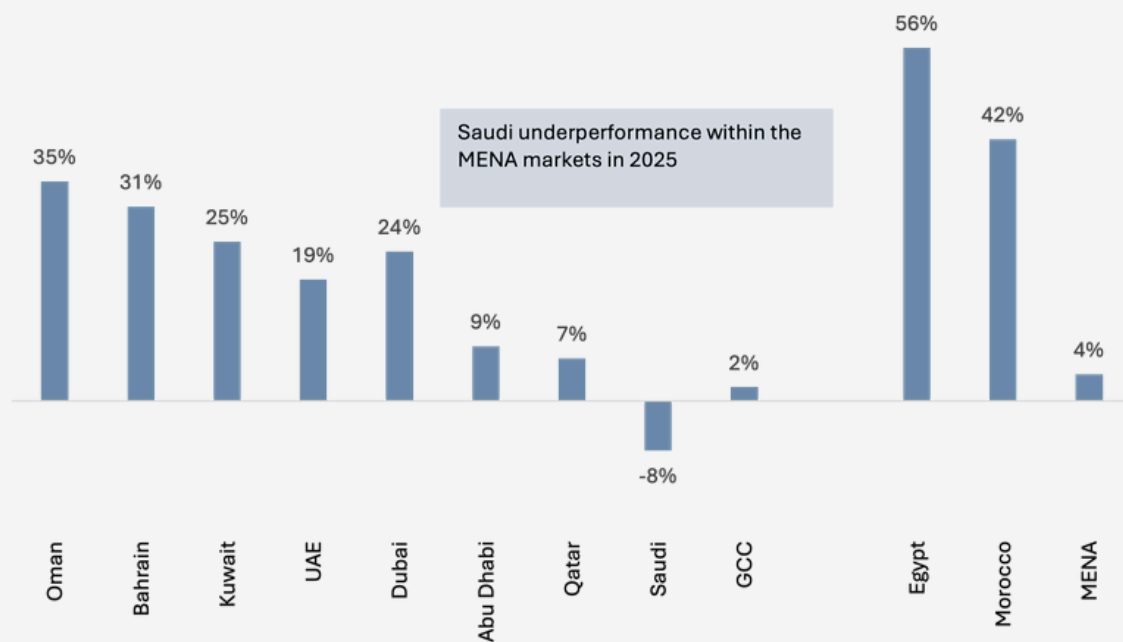


INSIGHTS

Case for Diversifying Across MENA (ex Saudi) – The SGEF Opportunity

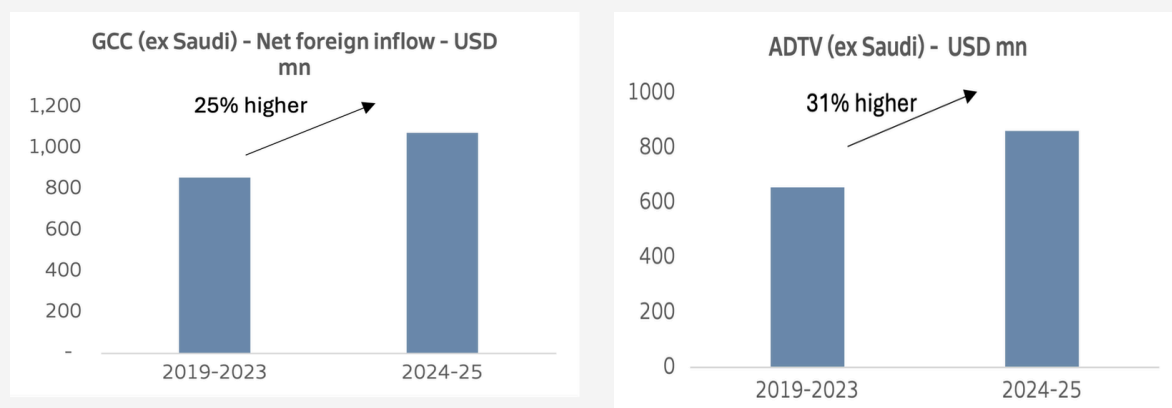


The past two years have clearly reinforced the importance and benefits of diversifying investments across the broader MENA region. The Saudi main market index, TASI, has underperformed other regional indices—particularly since the second half of 2024—driven by several factors. Among them are declining oil prices, rising fiscal deficit which led to a slowdown in government spending, and tightening liquidity, as a consequence of which corporate earnings growth moderated and pressured elevated valuations. In addition, global macro uncertainties weighed on commodity-linked sectors such as petchems. In contrast, other GCC and wider MENA markets have delivered relatively resilient performance, each driven by market-specific fundamentals such as structural reforms, economic momentum, earnings trajectories, and valuation dynamics.



The ongoing conflict has brought in its share of volatility within GCC markets with UAE and Qatar being more severely impacted versus Saudi. As we have seen in previous crisis volatility brings in its own share of opportunities. We believe that although Saudi Arabia's economy currently looks more resilient than other GCC markets in the ongoing conflict, its stock market strength has been reflecting the same. Accordingly, once the ceasefire happens, we would not be surprised to see a stronger pullback in ex-TASI markets, and also in the broader MENA space, such as Egypt and Morocco which have fallen over the past month.

This is particularly relevant for investors who have historically concentrated exposure in the largest MENA market, Saudi Arabia. MENA (ex-Saudi) markets have undergone significant transformation over the past five years, expanding in market depth and liquidity while attracting both domestic and foreign institutional flows. These improvements have been underpinned by enhancements in corporate governance, regulatory frameworks, and market accessibility.



Note: Average annual net inflows, Respective bourses Note: Average ADTV, Respective bourses

Many MENA markets offer unique characteristics and differentiated investment themes. The SPGXAD index, which tracks GCC (ex-Saudi), has substantially outperformed the TASI index since 2024, led by strong performance in the UAE, Qatar, Oman, and Kuwait, as well as more recent momentum in Egypt, Morocco, and Tunisia. Amid this strong performance, valuations across several of these markets remain compelling given the underlying earnings growth outlook supported by favorable macroeconomic conditions. It is pertinent to note that MENA ex-GCC countries are net importers of oil and hence tend to benefit in times of healthy oil prices.

Importantly, the diversification benefits are measurable. Historical correlation between GCC (ex-Saudi) markets and Saudi Arabia—which was already low at below 0.5 during 2016–2023—has declined further to below 0.4 since 2024. Moreover, the Saudi market remains significantly uncorrelated with key non-GCC MENA markets such as Egypt and Morocco, where long-term correlations are closer to 0.2. Collectively, GCC (ex-Saudi) markets, including Egypt and Morocco, offer abroad investable universe of more than 300 listed companies with market capitalizations above c.USD 500 million and average daily trading liquidity above USD 0.5 million, providing institutional investors with ample opportunity to build diversified exposure.

Correlation Matrix

2016-2023	Saudi	GCC ex KSA	Egypt	Morocco
Saudi	1.00	0.479	0.237	0.188
GCC ex Saudi	0.479	1.00	0.276	0.205
Egypt	0.237	0.276	1.00	0.165
Morocco	0.176	0.205	0.165	1.00

2024-2025	Saudi	GCC ex KSA	Egypt	Morocco
Saudi	1.00	0.394	0.128	0.245
GCC ex Saudi	0.394	1.00	0.204	0.383
Egypt	0.128	0.204	1.00	0.044
Morocco	0.245	0.383	0.044	1.00

The SICO Gulf Equity Fund (SGEF), launched in March 2006, was designed precisely to capture this opportunity by offering diversified exposure across MENA (ex-Saudi) markets. Since its inception, the fund has delivered a cumulative return of approximately 236%, significantly outperforming its benchmark index, which returned roughly 66% over the same period ending February 2026. The fund maintains a diversified sectoral allocation and leverages a research-driven active management approach aimed at generating alpha and long-term capital appreciation.

Performance	SGEF	Benchmark*
Return since launch (March 2006)	236.40%	65.80%
Return over last 10 years	102.40%	67.70%

* S&P GCC Ex Saudi TR Index

Note: As of end of February 2026. The fund was dormant from July 2018 to May 2019, hence the returns for this period have been excluded.

With a nearly 20-year track record, SGEF represents an effective platform for HNWIIs and institutional investors to access the diverse investment themes and growth opportunities emerging across the broader MENA region—particularly at a time when market dispersion and structural momentum continue to create compelling prospects.



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