

From: Paul Barrett <[REDACTED]>

To: jeffrey E. <jeevacation@gmail.com>

Subject: FW: Why you should invest in Saudi Arabia

Date: Mon, 09 Apr 2018 18:04:02 +0000

Attachments: 2018.03.29_-_Saudi_EM_inclusion.pdf

Inline-Images: image002.jpg

Hi Jeffrey

Any thoughts on the Saudi stock market? They are making a big deal of the MSCI inclusion. I personally don't like the long term outlook given where the world is headed with electric vehicles and more efficient energy consumption.

Paul Barrett

Alpha Group Capital LLC

142 W 57th Street, 11th Floor, New York, NY 10019



From: Martin Zeman <[REDACTED]>

Sent: Monday, April 09, 2018 12:33 PM

To: Paul Barrett <[REDACTED]>

Cc: Stewart Oldfield <[REDACTED]>; Xavier Avila <[REDACTED]>

Subject: Why you should invest in Saudi Arabia

Paul,

Further to our call on Saudi stocks:

See attached a 2-pager on the recent announcement from our research:

- Saudi Arabia included in FTSE Secondary EM Index to happen in 5 stages, from March-19 to Dec-19
- This could translate to inflows of \$4.5bn into their equity market
- We estimate Sabic to get \$727M, Al Rajhi \$504M, National Commercial Bank \$385M (see table in the attached pdf)
- **MSCI EM decision announced in June 2018**
- If they get in -> \$39bn inflows and the actual inclusion would happen in June 2019
- These flows are already happening now: \$619M inflows in Jan-18 (highest on record); \$364M in Feb-18

Read this article on Bloomberg about what happens to the stock market once the actual inclusion happens. History shows that the biggest appreciation happens in the run-up to these inclusions so we have about 12-18 months.

<https://www.bloomberg.com/news/articles/2018-04-01/saudi-arabian-emerging-market-status-comes-with-sobering-history>

And I think this one is an interesting read:

<http://time.com/longform/mohammed-bin-salman/>

DB facilitates two ways to invest:

1/ Via Participatory Notes – fully funded

2/ Equity Swaps – 2x leverage, ISDA needed.

3/ We charge 50bps for trading, the funding on the equity swap is Libor + 150bps

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