

MARKETING COMMUNICATION FOR PROFESSIONAL INVESTORS ONLY

GCC webinar | Key takeaways

June 2023

TABULA



GCC exposure is a key but differentiated segment of EM exposure

- **GCC exposure is 22% of broad EM** bond indices (based on the JP Morgan EM bond index) but it has quite different characteristics from the rest of the EM bond universe
- **Average credit ratings for the GCC are A2** while average ratings for JPMB is Baa3 (4 notches lower) - partially a **reflection of the GCC countries' low debt to GDP ratios**
- Each of **the GCC economies recovered rapidly post the pandemic** and have managed to keep inflation below the average levels in other EM economies
- In 2022 GCC economies saw **GDP growth at or above the 3.4% increase in global GDP**

A unified vision to improve credit ratings & diversify economies

- **GCC countries have been reducing their exposure to oil revenues** and have plans to go much further through their 'Vision' projects
- The GCC countries have a tendency to **support the weaker members of the group**, as evidenced through their recent behaviour toward Oman and Bahrain
- The GCC countries are **improving their government revenues through harmonised introduction of a 5% VAT regime** and enhanced corporate taxes
- GCC countries' currencies are **pegged to the dollar and they have robust FX reserves** thereby protecting investors from FX devaluations which can destabilise a country's ability to service hard currency debt

TGCC is the only ETF to offer direct exposure to GCC govt bonds

- The current TGCC basket **yields over 5.2%** or 150 bp over the equivalent UST
- The benchmark GCC government bond index that the ETF tracks has **outperformed the JP Morgan Emerging Markets Global Core index by over 5% each year over the last 5 years**
- The ETF should see a **bid-offer tighter than the underlying bonds** even for very large transactions due to the diversification of bond exposure

Past performance is not a reliable indicator of future returns



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