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MONEY

Ian Cowie Personal Account

There's plenty of gas in the gulf, so I'm switching into Qatar

MATTHEW ASHTON/GETTY IMAGES

Most British pension funds and all FTSE100 trackers will be hurt by BP and Shell's decision to dump their Russian assets, which could cost the oil giants $17 billion. No wonder BP's share price slipped 6 per cent lower on the news.

But there will be winners, as well as losers, from rising reluctance to buy fuel from Russia. The explanation is that – whatever happens in Ukraine – the world will still want to stay warm and keep the lights on.

This is why I have invested 2 per cent of my life savings in the little-known Gulf Investment Fund (stock market ticker: GIF), where I paid $1.86 per share last month before topping up at $2.04 last Wednesday. It's listed in London but focused on Qatar, the small country in the Persian Gulf that has the third largest natural gas reserves in the world.

Russia and Iran both have bigger gas reserves but are subject to American and British economic sanctions. On Thursday, the International Energy Agency called on the EU to sign no new Russian gas contracts and cut imports by a third within a year. Restrictions are more likely to be tightened than loosened in future, so I expect this will displace demand for energy towards Qatar.

It already supplies 48 per cent of Britain's liquefied natural gas (LNG). The global transition toward cleaner fuels than coal and oil has boosted demand for LNG and made Qatar the wealthiest country in the world per head of population. On the same basis, the United States ranks 13th and Britain 26th.

Despite these facts, most British investors have no direct exposure to the Persian Gulf, let alone Qatar. One reason might be this region's questionable approach to human rights, but it is impractical – and possibly conceited – to expect everyone to be like us.

As an investor in emerging markets since 1996 who sold his Chinese and Russian shares years ago, I reckon GIF is a good way to rebuild exposure to regions with potential for exponential growth, as part of a diversified global portfolio.

About 42 per cent of GIF's assets are allocated to Qatar, followed by 33 per cent in Saudi Arabia and 19 per cent in the United Arab Emirates (UAE). That demonstrates active stock selection, as opposed to passive index-tracking, because the Standard & Poor's Gulf Co-operation Council (GCC) Composite Index comprises 62 per cent Saudi Arabia, 16 per cent UAE and 11 per cent Qatar.

It is important to understand that this is not solely about energy – like, say, BP (BP) or Shell (SHEL). Most of this fund's assets are allocated to industrials (16 per cent), financial services (15 per cent), basic materials (6 per cent) and consumer goods (5 per cent).

GIF's strategy is to gain diversified exposure to a region with some of the most ambitious infrastructure projects in the world. These include Neom, a $500 billion city-state that Saudi Arabia is building near its borders with Jordan and Egypt.

There is relatively low awareness in Britain and elsewhere of how futuristic fantasies are being turned into concrete facts in the Gulf. Awareness might pick up when the World Cup kicks off in Qatar next November.

Here and now, GIF has scored a remarkable hat-trick. It is the top-performing fund in the Association of Investment Companies (AIC) global emerging markets sector over the past decade, five and one-year periods with total returns of 201 per cent, 118 per cent and 48 per cent respectively. Despite that, it continues to yield dividend income of just over 2.4 per cent and is priced at par with its net asset value.

Lusail stadium, Qatar, one of eight stadiums built ready for hosting this year's World Cup

48%

of Britain's liquefied natural gas (LNG) comes from Qatar

This would be a good point to emphasise that, while big shareholders include City of London Investment Management, HSBC and Sarasin, GIF is a relatively small fund, with a stock market capitalisation of £94 million, so even a comment piece like this might move the share price. Brokers read *The Sunday Times* too.

For example, last week's reference to ITM Power (ITM), the green hydrogen company in which I first invested more than a decade ago, was followed by its share price spiking 20 per cent higher on Monday. Gosh, closing at £3.17 on Friday, ITM might be heading back to where I took profits by selling at £5.39 in January last year, after buying at £1.24 in January, 2020, as reported here at those times.

Although I have now taken two-thirds more cash out of ITM than I put in, the remainder of this stake is once again knocking on the door of my top ten holdings by value. My comment last Sunday merely pointed out that this Sheffield-based business could be a beneficiary of Britain aiming to reduce our energy dependence on Russia. I have no idea whether the subsequent share price spike was a coincidence or not.

Such excitement will not suit everyone but, to my mind, it beats the tedium of trackers. However, anyone tempted to follow me into GIF might be wise to sit on their hands tomorrow and wait for any excessive exuberance to subside.

Having said that, I can't resist chuckling at clever Dicks who have confidently predicted doom for ITM all the way up. No doubt they will snipe the same way at GIF.

Perennial pessimism is the easiest way to simulate wisdom about stock markets – but it ain't the way to make money.