

IIAB MENA Feeder Fund

Performance Report 28.02.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.73**

OBJECTIVE OF THE FUND

The IIAB MENA Feeder Fund is a long-term, medium to high risk investment vehicle that invests in the IIAB Islamic MENA Fund (Master Fund). The IIAB Islamic MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities, whilst adhering to the sharia' principles. The Fund aims to achieve an annual average net return in excess of 11% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

KEY FEATURES

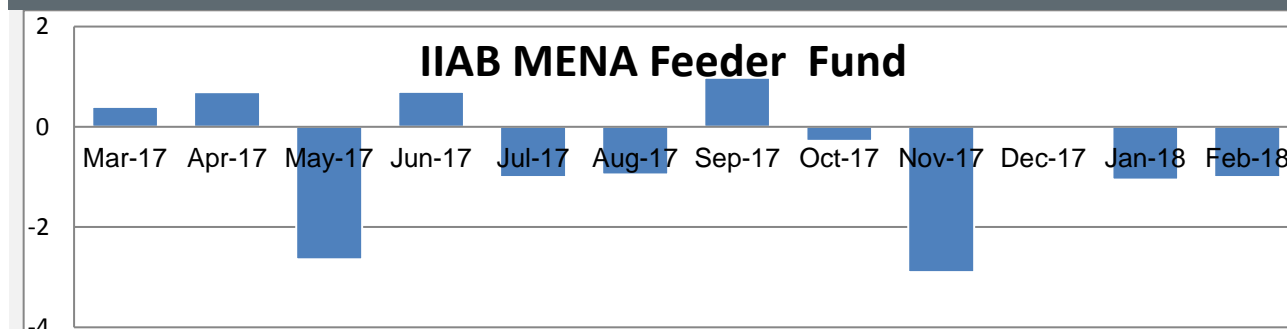
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,903,837	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 10 business days prior to month end
Listing	CISX	BBG code	IIABMEU GU Equity

Important note: For clarity purposes, the figures below represent the performance, asset allocation and holdings of the IIAB Islamic MENA Fund (Master Fund).

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
IIAB MENA Feeder Fund													
2018	-1.05	-1.0											-2.04
2017	0.10	0.01	0.40	0.69	-2.64	0.70	-1.00	-0.95	0.98	-0.28	-2.90	-0.04	-4.91
2016	-8.92	4.95	2.12	2.57	-1.25	-0.04	0.41	-0.12	-1.87	-0.99	4.95	1.81	2.89
2015	0.79	2.36	-3.44	5.70	-0.30	0.30	-0.17	-10.37	0.81	-2.97	0.54	-0.90	-8.19
2014	2.70	1.32	-0.13	1.94	1.89	-2.27	6.45	2.57	0.26	-4.26	-3.24	-0.86	6.06
IIAB Islamic MENA Fund (Master Fund)													
2018	-0.96	-0.92											-1.87
2017	0.16	0.07	0.48	0.74	-2.58	0.79	-0.92	-0.88	1.05	-0.22	-2.83	0.05	-4.10
2016	-8.86	5.04	2.18	2.64	-1.18	0.02	0.48	-0.02	-1.81	-0.92	5.03	1.88	3.78
2015	0.87	2.44	-3.38	5.78	-0.23	0.38	-0.08	-10.32	0.89	-2.92	0.61	-0.83	-7.39
2014	2.80	1.39	-0.05	2.01	1.96	-2.18	6.54	2.65	0.33	-4.18	-3.17	-0.69	7.15

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

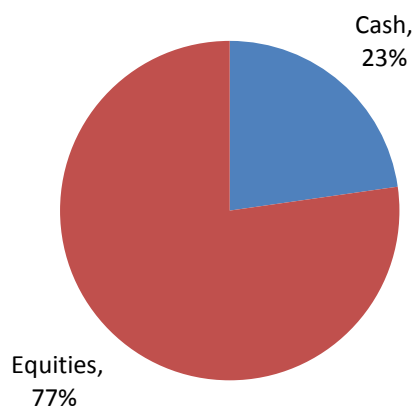
	Portfolio
Annualised return	-4.7%
Annualised volatility	14.7%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.9%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS (MASTER FUND)

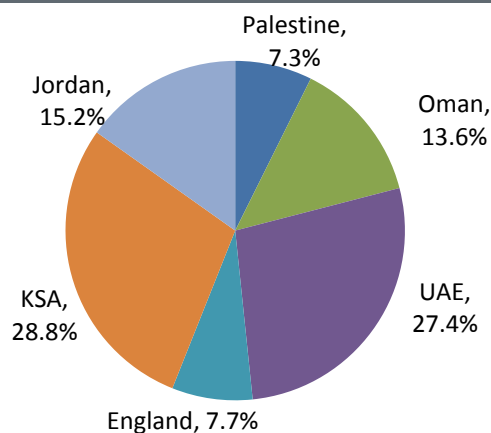
	Country	%
Emaar Properties	UAE	9.71%
Dubai Islamic Bank	UAE	9.54%
Ooredoo	Oman	9.18%
Siniora Food Industries	Jordan	9.11%
Saudi Airlines Catering	KSA	8.80%
Palestine Telecommunication	Palestine	5.67%
Hikma Pharmaceuticals Plc	England	5.03%
Savola Group	KSA	4.92%
Herfy Food Services Co	KSA	2.63%
Dallah Health Care Holding	KSA	2.33%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

Average MENA markets declined in February; the S&P Pan Arab Investable Index shed 1.74% (YTD +2.79%) and the Dow Jones MENA Index fell by 2.13% (YTD +2.87%) also. Moreover, the Islamic equities market witnessed a similar decline with the Dow Jones Islamic Market MENA Index losing 2.46% (YTD +2.13%). The Arab Bank MENA Fund shed 0.81% (YTD -0.59%) and the IIAB Islamic MENA Fund dropped 0.92% (YTD -1.87%). In turn, the AB MENA Feeder Fund lost 0.85% (YTD -0.69%) and the IIAB MENA Feeder Fund fell by 1.00% (YTD -2.04%).

Individual regional market performance was mixed. The best performing index was the Egyptian EGX30, which gained 2.86% (YTD +3.02%). The Bahraini Index also improved, rising by 1.42% (YTD +2.87%), as did the Kuwaiti Index, which gained 1.27% (YTD +5.69%), in addition to the Jordanian Index, which added 1.20% (YTD +4.37%). The Omani Index remained fairly flat as it inched up by 0.07% only (YTD -1.88%). As for losing indices, the Qatari Index erased the majority of the gains it managed in January by losing 5.99% in February (YTD +1.52%). In the UAE, the DFM General Index shed 4.43% (YTD -3.74%). However the Abu Dhabi Index limited its February decline to 0.10% (YTD +4.53%). Finally, the Saudi Arabian TASI dropped 3.02% (YTD +2.66%).

In other parts of the world, market performances were overwhelmingly negative. In the U.S., the S&P 500 lost 3.89% (YTD +1.50%) and the Dow Jones Index dropped 4.28% (YTD +1.25%). Nonetheless, brighter economic growth outlook may encourage U.S. policy makers to rethink their plan for three rate hikes in 2018. Federal Reserve Chair, Jerome Powell, who shares the positive outlook for the U.S. economy has opened the door to raising interest rates four times this year.

Over in Europe, the French CAC 40 Index shed 2.94% (YTD +0.15%), the German DAX fell by 5.71% (YTD -3.73%), and the FTSE 100 lost 4.00% (YTD -5.93%). Late this February, Mark Carney, Governor of the Bank of England, reiterated that the Monetary Policy Committee believes that rates need to rise both earlier and by a larger extent than previously expected. Policy makers, however, have not given clear guidance on the timing of any future hikes. Further East, the Nikkei Index went down by 4.46% (YTD -3.06%), the Hang Seng Index fell by 6.21% (YTD +3.09%), and the Shanghai Composite Index dropped 6.36% (YTD -1.44%).

In MENA region's macroeconomic news, the Central Bank of Egypt cut overnight interest rates by 100 bps on February 15 following a monetary policy meeting. The move comes after inflation rates hit their lowest levels in over a year in January. The central bank had previously raised interest rates to combat soaring inflation following the floating of the Egyptian Pound. The bank cut its overnight deposit rate to 17.75% from 18.75% and its overnight lending rate to 18.75% from 19.75%.

In the commodities world, Brent Oil lost 4.74% (YTD -1.63%) to close the month at USD65.78, and similarly WTI Oil lost 4.77% (YTD +2.02%) to reach USD61.64. According to the UAE's energy minister, Suhail Al-Mazroui, who holds OPEC's presidency this year, OPEC and non-OPEC producers will, in their next meeting, discuss the prospect of extending their cooperation for many more years in hopes of avoiding major market shocks. The president said that the UAE, Saudi Arabia, and non-OPEC member Russia support extending cooperation beyond 2018. The oil producers aim to draft an agreement on a long-term alliance to be endorsed and signed by all 24 countries before the end of the year.

The Arab Monetary Fund (AMF) reported a decline in the Arab countries' budget deficit average to 6.3% of GDP in 2017, down from an average of 10.3% in 2016. The AMF's director general attributed the decline to the reform measures taken by the countries that included rationalization of government spending and tax reforms. Additionally, the International Monetary Fund (IMF) has said that Qatar, Kuwait, Oman, and Bahrain need more time to introduce the 5% Value Added Tax (VAT) that was implemented in Saudi Arabia and the UAE at the start of the year. They are expected to be technically and politically ready in a year and a half. IMF officials also released statements saying GCC states may have to increase the VAT rate above 5%, depending on the revenue needs of each country, but not within the next five years.



Furthermore, Fitch Ratings said that the USD107 billion that Saudi Arabia acquired in settlements from the corruption sweep will help balance the country's budget. The agency noted that the announced amount is equivalent to 15% of Saudi Arabia's GDP, around double the size of the 7% budget deficit. This should help reduce the need for borrowing and/or withdrawals from government deposits at the Saudi Arabian Monetary Authority (SAMA).

Despite the recent divergence in performance between the Funds and the respective market indices, we still maintain a fundamental based view towards individual holdings, with close regard to the geopolitical background. The Fund's overall style exposures remain "value" based, with due focus on cash flow visibility and dividend yield.

INVESTMENT METHODOLOGY & EDGE

AB Invest is one of the oldest, most experienced and fastest growing investment managers in the MENA region with more than a decade of cumulative quality experience in creating regional risk-adjusted investment solutions. Our investment process is underpinned by a focus on "value" selection, using a combination of top down and bottom up approach. Our knowledge of the constraints in the local markets allows us to adjust our approach and tailor a suitable investment process.

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Past performance should not be taken as a guide to the future. The value of investments can fall as well as rise.

The full documentation required to make an investment is available from AB Fund Managers (Guernsey) Ltd. at its registered address: 11 New Street, St. Peter Port, Guernsey, GY1 2PF Channel Islands.

