

IIAB MENA Feeder Fund

Performance Report 31.07.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$5.62

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

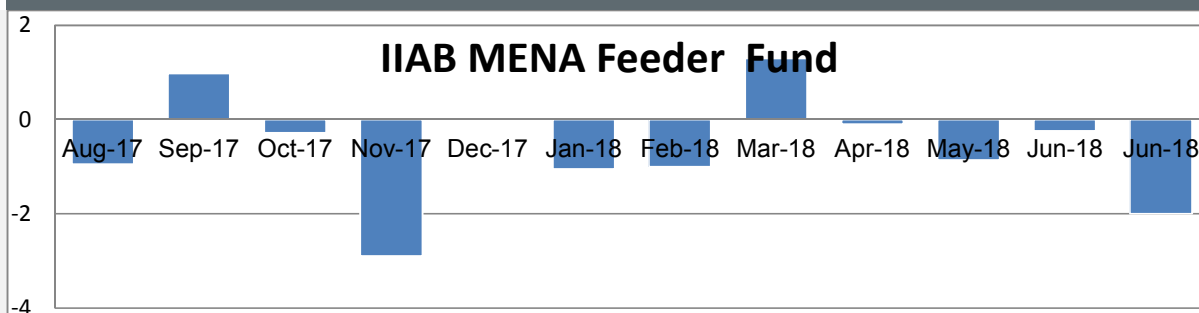
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,848,786	Fund manager	AB Fund Managers (Guernsey) Ltd
Launch date	28 February 2008	Investment advisor	Al Arabi Investment Group Co (AB Invest)
Listing	CISX	Dealing frequency	Monthly, 10 business days prior to month end
		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	-1.00	1.24	-0.01	-0.86	-0.24	-2.00						-3.90
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	1.30	0.06	-0.81	-0.17	-1.94						-3.42
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



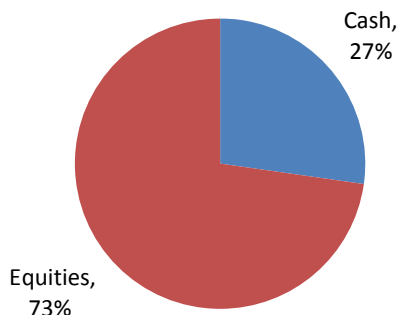
PERFORMANCE STATISTICS (MASTER FUND)

	Portfolio
Annualised return	-4.7%
Annualised volatility	14.4%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.4%
Worst 12 months	-69.9%
Best 12 months	88.9%

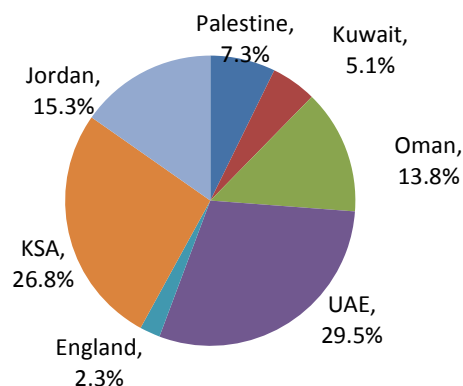
TOP TEN HOLDINGS (MASTER FUND)

	Country	%
Siniora Food Industries	Jordan	8.84%
Ooredoo	Oman	8.83%
Emaar Properties	UAE	8.74%
Dubai Islamic Bank	UAE	8.06%
Saudi Airlines Catering	KSA	7.85%
Palestine Telecommunication	Palestine	5.29%
Aramex	UAE	4.68%
Dallah Health Care Holding	KSA	3.87%
Savola Group	KSA	3.84%
Human Soft Holding	Kuwait	3.68%

ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA equity markets witnessed a substantial surge this past month. The S&P Pan Arab Investable Index gained 4.32% which drove its year-to-date performance in the black to 4.08%, while the Dow Jones MENA Index gained 2.27% (YTD +10.38%). At the same time, the Dow Jones Islamic Market MENA Index surged by 2.47% (YTD +7.59%). The Arab Bank MENA Fund on the other hand shed 1.14% (YTD +0.49%) and the IIAB Islamic MENA Fund lost 1.94% (YTD -3.42%). In turn, the AB MENA Feeder Fund lost 1.19% (YTD +0.20%) and the IIAB MENA Feeder Fund shed 2.00% (YTD -3.90%).

The major development that occurred this month was regarding Saudi Arabia's push to privatize its oil sector. Public listing preparations of state-run Saudi Aramco have stalled, the Wall Street Journal reported. Aramco has been expanding its global footprint by signing downstream deals and boosting the capacity of its plants ahead of the eagerly awaited initial public offering. A senior Aramco executive said, "everyone is almost certain it (IPO) is not going to happen". Instead, it was announced later in the month that Saudi Aramco is currently in discussions with the Public Investment Fund (PIF) to buy a portion of its shares in SABIC, according to Argaam. Based on the news source, Aramco is still at a very early stage of the deal to make a final decision on whether it will proceed or not. The Saudi Arabian TASI was down slightly by 0.23% (YTD +14.79%) this month on low trading volumes as is the predominant trend during the summer months.

Other GCC markets' monthly performance was incredibly strong, the Kuwaiti, Qatari, Bahraini and both UAE markets witnessed robust gains. Kuwait's Premier Market Index jumped 8.00% (+7.10% since the index's inception in April), the Qatari Index recorded the largest gains at 8.88% (YTD +15.27%) as Moody's Investor Service (Moody's) has affirmed the long-term deposit and issuer ratings of 10 Qatari banks, and changed the outlook on the long-term deposit, issuer, and senior unsecured debt ratings to stable from negative.

The Bahraini Index gained 3.61% (YTD +2.00%) as news came out that the country has pledged to implement steps to repair its strained finances widely seen as crucial to help the kingdom receive support from Gulf Arab allies. Prime Minister Khalifa Bin Salman Al Khalifa set up a committee to devise plans to balance the budget. In the UAE, Dubai's DFM Index was up by 4.78%, improving its year-to-date performance to -12.29%. Abu Dhabi's Index was similarly up by 6.57% (YTD +10.48%) as the three-year economic stimulus program announced last month continued to prop up the market. Lastly, the Muscat stock exchange was the biggest loser during the month of July, falling by 5.14% to become the worst performing MENA index at (-14.96% YTD). This came despite a report published by the Central Bank of Oman, which states that Oman's economy rebounded from a contractionary phase and recorded a broad-based recovery with a nominal growth of 8.7% during 2017.

Outside the GCC, Jordan's ASE Index continued its decline to shed 3.02% (YTD -5.59%). Meanwhile, in Egypt, the EGX30 Index slipped by 4.70% to pull back its YTD performance to +3.74%.

Other indices around the world have followed MENA indices' upwards trajectory during the month, bucking the "sell in May and go away" adage. In the U.S., the S&P 500 Index gained 3.60% (YTD +5.34%) and the Dow Jones Industrial Average Index was up by 4.71% to turn positive for the year (YTD 2.82%). Over in Europe, the German DAX gained 4.06% (YTD -0.87%), the French CAC 40 was up by 3.53% (YTD +3.74%), and the FTSE 100 gained 1.46% (YTD 0.79%). In addition, the Shanghai Composite Index was up by 1.02% (YTD -13.03%) and the Hang Seng Index was the sole loser after the trade war between the US and China intensified, losing 1.29% (YTD -4.47%). Meanwhile, the Nikkei Index gained 1.12% (YTD -0.93%).

In other macroeconomic news, Saudi Arabia's cabinet has affirmed the kingdom's readiness to deploy its spare oil production capacity to maintain market balance and stability, a statement carried by state news agency SPA said. The Kingdom would use its spare capacity to address any future variations in supply and demand in coordination with other oil-producing countries, it said, after calls by U.S. President Donald Trump for Saudi Arabia to raise production. This comes after the Kingdom's oil output increased by 0.5mn barrels per day in June to reach 10.488mn barrels per day (bpd) of crude oil.

We continue to maintain a fundamental value driven strategy, despite some of the momentum witnessed in some markets recently. We believe that a strategic fundamentally driven focus is more worthy in terms of allocations and security selection. We, nonetheless, maintain a close eye on the market for tactical opportunities.

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.

DISCLAIMER

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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.

