

IIAB Sukuk & Murabaha MENA Fund

Performance Report 26.02.21

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.43

OBJECTIVE OF THE FUND

The IIAB Sukuk & Murabaha MENA Fund is a medium to long-term, medium-risk investment vehicle with particular focus on sukuk, murabaha and sharia' compliant cash transactions, initiated out of the Middle East & North Africa region. The Fund seeks to earn the highest level of current income, while aiming to achieve a net return exceeding three month USD LIBOR on annualized basis.

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	8,227,791	Fund Manager	AB Fund Managers (Guernsey) Ltd
		Investment Advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 7 business days prior to month end
Listing	CISX	BBG code	IIABSUK GU Equity

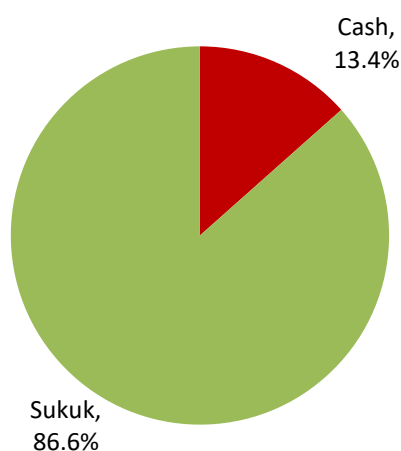
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26	-0.14											0.11
Benchmark	0.02	0.02											0.04
2020	0.52	-0.16	-4.83	1.66	1.00	1.43	0.72	0.52	0.03	0.35	0.88	0.60	2.59
2019	1.17	0.55	0.91	0.62	0.41	0.86	1.01	0.54	0.02	0.03	-0.02	0.39	6.68
2018	-0.23	-0.68	-0.30	-0.20	-0.40	0.09	0.69	0.24	0.18	-0.25	0.05	0.12	-0.68
2017	0.45	0.30	0.07	0.20	0.02	-1.04	0.60	0.21	-0.11	0.00	-0.49	0.13	0.32
2016	-1.47	1.26	0.50	0.25	0.00	0.47	0.50	0.10	-0.07	-0.12	-0.48	0.19	1.13

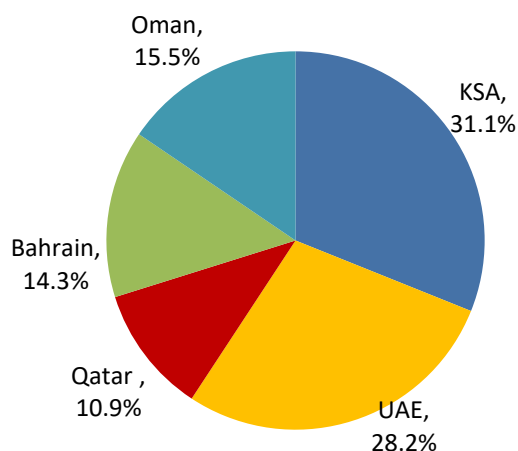
ASSET ALLOCATION (%)

	Actual
Cash	13.4%
Sukuk	86.6%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

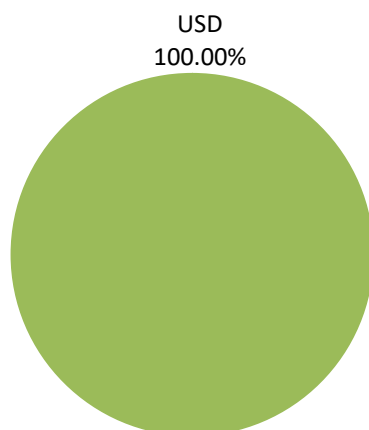


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.42%
Sharjah Islamic Bank Sukuk	8.60%
First Abu Dhabi Bank Sukuk	6.41%
State of Qatar Sukuk	6.37%
Dubai Islamic Bank Sukuk	6.35%
Saudi Electric Co. Sukuk	6.26%
CBB International Sukuk Company	6.25%
Kingdom of Saudi Arabia	6.23%
CBB International Sukuk Company	6.21%
Arabian Centres	6.19%

COMMENTARY

Fixed income instruments suffered some sort of a pull back during February as increased investor risk appetite shifted momentum towards equities and the US stimulus package raised fears about inflation. The Dow Jones Sukuk Index has shed 0.91% (YTD -1.09%) while the S&P MENA Sukuk Index lost 0.34% (YTD -0.14%). The IIAB Sukuk & Murabaha MENA Fund followed suit, falling by 0.14% (YTD 0.11%).

In February's major news, the US House passed President Joe Biden's USD1.9 trillion pandemic-relief plan, spanning USD1,400 stimulus checks, enhanced jobless benefits and fresh funding for vaccines and testing. The sixth relief package in less than a year is defended by Democrats as what is needed to fight the deadly coronavirus and put the economy on firm footing.

In regional news, Ezdan Holding Group said it's finalizing a bank facility to fully repay its USD500 million sukuk maturing in May, after S&P Global Ratings said the Qatari property developer faces the risk of a default or debt restructuring. "The company is currently in the final stage of finalizing a facility agreement with a major bank for repayment of sukuk 2021 fully," it said in a statement.

Another report also issued by S&P this month warned that the business cycle in Gulf countries is likely to take "several quarters at least to fully recover" from twin shocks of the coronavirus pandemic and the drop in oil prices. Corporate and infrastructure companies in the six-nation Gulf Cooperation Council are expected to operate "conservatively" in 2021 as the economy recovers, according to the report.

In commodities, Saudi Arabia and Russia are once again heading into an OPEC+ meeting on opposite sides of a crucial debate about the oil market. Riyadh is publicly urging fellow members to be "extremely cautious," despite prices rebounding to a one-year high. In private, the kingdom has signaled it would prefer that the group broadly holds output steady, delegates said. Moscow, on the other hand, is indicating that it still wants to proceed with a supply increase.

In ratings news, Moody's Investors Service, has downgraded the long-term foreign and local currency issuer ratings and the foreign-currency senior unsecured rating of the Government of Sharjah to Baa3 from Baa2. The agency changed the outlook on the issuer ratings to negative from stable. The downgrade to Baa3 from Baa2 is driven by Moody's expectation of a sharp deterioration in Sharjah's fiscal strength, as the economic shock brought on by the pandemic continues to have a marked and lasting impact on the emirate's revenue after a severe drop in 2020. Moody's expects that government expenditure will continue to grow steadily, in line with the government's strategic social and economic development objectives.



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Moreover, Kuwait's rating outlook was also cut to negative from stable at Fitch as political bickering delays reforms and stymies borrowing. "The revision of the outlook reflects near-term liquidity risk associated with the imminent depletion of liquid assets in the General Reserve Fund in the absence of parliamentary authorization for the government to borrow," Fitch said in a statement. The rating was affirmed at AA. Kuwait still doesn't have a public debt law enabling it to borrow and hasn't been to the market since a debut Eurobond in 2017. Lawmakers have opposed borrowing to cover the country's budget deficit and say the government should better manage finances before resorting to debt.

The Fund was 87.73% invested at the end of the month of February. It was positioned with an average yield to maturity of 1.80% and an average maturity of 2.40 years.

INVESTMENT METHODOLOGY AND APPROACH

AB Invest is one of the most experienced and fastest growing MENA investment managers operating out of Jordan. AB Invest provides its clients with a number of MENA-focused investment solutions on conventional and Sharia-compliant bases. Our investment process is based on rigorous fundamental analysis with a view on delivering superior risk-adjusted returns, using a combination of top-down and bottom-up approaches. Our deep knowledge of the markets in which we invest allows us to deliver consistent returns while prudently managing risk.

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.

