

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 28.02.23

NAV PER SHARE

\$9.19

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	8,019,317	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

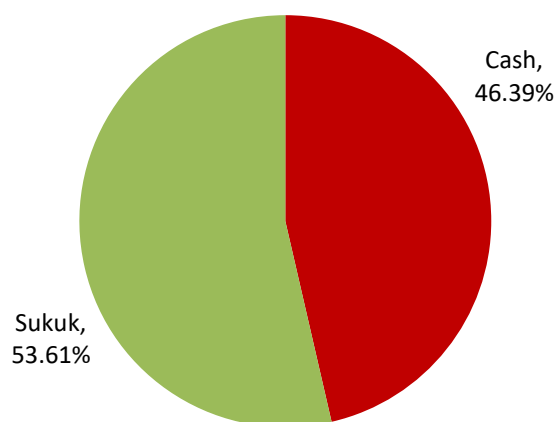
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22											0.42
Benchmark	0.40	0.40											0.80
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78	0.38	0.23	-0.96	-0.08	0.65	0.07	-2.53
2021	0.26	-0.14	-0.20	0.29	0.29	-0.06	-0.06	-0.05	-0.10	-0.05	-0.65	0.19	-0.30
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

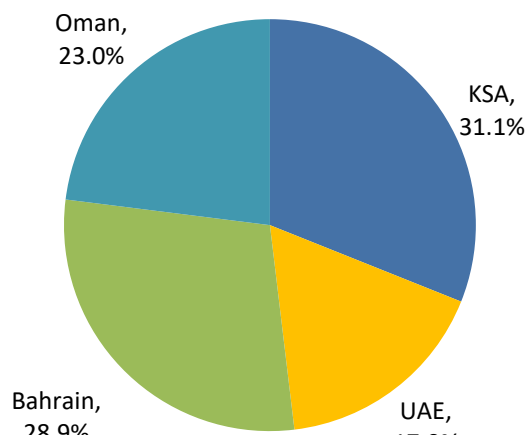
ASSET ALLOCATION (%)

	Actual
Cash	46.39%
Sukuk	53.61%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

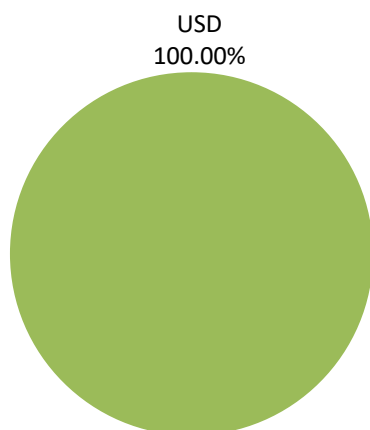


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.58%
Oman Sultanate	9.21%
First Abu Dhabi Bank Sukuk	6.22%
Arabian Centres	6.07%
Saudi Electric Co. Sukuk	6.06%
CBB International Sukuk Company	5.97%
KSA Sukuk Limited	4.49%
Oman Sovereign Sukuk	3.17%
Emaar Sukuk	2.96%
Golden Belt Sukuk	0.09%

COMMENTARY

Fixed income and Sukuk instruments slid during February as the US Fed hiked interest rates and hinted at further hikes which would raise USD interest rate to a higher peak than previously forecasted. The Dow Jones Sukuk Index shed 1.24% (YTD 0.06%), while the S&P MENA Sukuk Index lost 0.86% (YTD 0.75%). The IIAB Sukuk & Murabaha MENA Fund followed suit, falling by 0.22% (YTD 0.41%).

In February's marquee news, Federal Reserve Chair Jerome Powell said policymakers expect to deliver a couple more interest-rate increases before putting their aggressive tightening campaign on hold, even as they slowed their drive to curb inflation. Powell and his colleagues lifted the Fed's target for its benchmark rate by a quarter percentage point to a range of 4.5% to 4.75%. The smaller move followed a half-point increase last December and four jumbo-sized 75 basis-point hikes prior to that. Still, investors took heart from the Chair's remarks acknowledging that price pressures have started to ease, despite his emphasis on the Fed's outlook for more rate hikes.

In regional news, governments in the energy-producing Gulf region have made progress towards diversifying their economies away from oil by opening up to private investment and breaking the taboo of collecting taxes, the head of the International Monetary Fund Kristalina Georgieva told a conference in Dubai. Governments that were once locked into a cycle of splurging during times of high oil prices have become more careful with spending. Georgieva also pointed to a better environment for private investments and job creation through competition.

Moreover, the World Bank is particularly concerned in the Middle East and North Africa region about Lebanon and Tunisia and, to a lesser extent, Egypt and Jordan, the bank's vice president for MENA said. "We have a number of tensions in those countries," including debt levels and high inflation, Ferid Belhaj told Reuters on the sidelines of the World Government Summit. "The role of the state in the economy, generally in MENA, has always been a matter of concern for us," he said, adding there was a "a chunk" of public debt that is not disclosed, referring to debts of state-owned enterprises.

In ratings news, Egypt's credit rating was downgraded by Moody's Investors Service as liquidity buffers and foreign reserves dwindle, leaving the nation vulnerable to shocks. Moody's lowered Egypt's ratings to B3 from B2, putting the nation's credit score six levels above default and on par with Angola. The outlook on the country was also raised to stable from negative, according to a statement. The cut reflects "reduced external buffers and shock absorption capacity while the economy undergoes a structural change toward a more export- and private sector-led growth model under a flexible exchange rate regime".

In Issuance updates, Emirates Islamic Bank, majority-owned by Emirates NBD, Dubai's biggest lender, priced a three-year AED1 billion (USD272.26 million) sukuk. The local currency sukuk was priced at 5.05%, tighter than initial guidance of 5.25%, after orders topped 2.5 billion dirhams. Moreover, Dubai Islamic Bank has released an IPT for a new 5-year long USD sustainable sukuk issue. The initial pricing is in the 5 year US Treasury + 130bps area. Additionally, the National Debt Management Center closed the February 2023 issuance under the Saudi Arabian Government SAR-denominated Sukuk Program. The total amount of all bids received was SAR3.713 billion. Total amount allocated was set at SAR3.657 billion.



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Finally, Egypt started the sale of its first Islamic debt as the North African nation wrestles with a foreign-currency crunch. The three-year dollar sukuk was offered at an initial yield of around 11.625%. Egypt faces an upcoming USD1.25 billion Eurobond repayment.

The Fund was 52.43% invested at the end of the month of February. It was positioned with an average yield to maturity of -0.62% and an average maturity of 1.08 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.

