

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 28.04.23

NAV PER SHARE

\$9.21

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	8,042,040	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

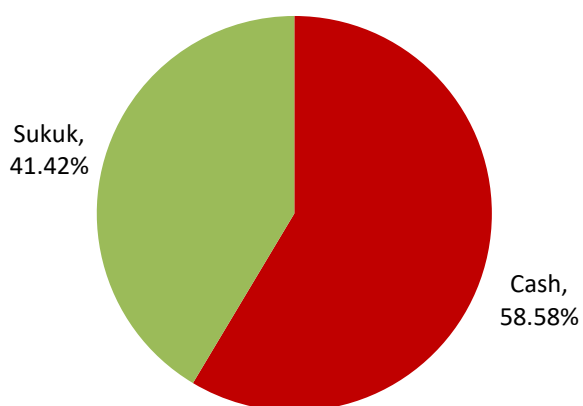
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22	0.18	0.10									0.71
Benchmark	0.40	0.40	0.41	0.43									1.66
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

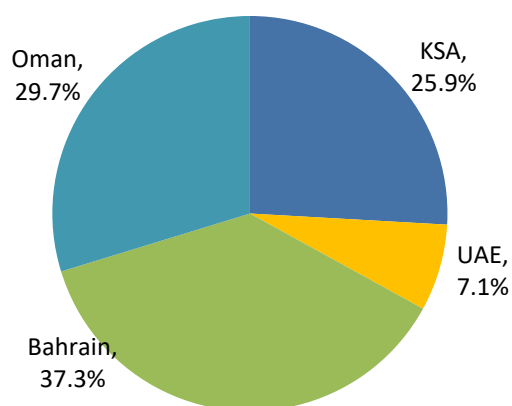
ASSET ALLOCATION (%)

	Actual
Cash	58.58%
Sukuk	41.42%

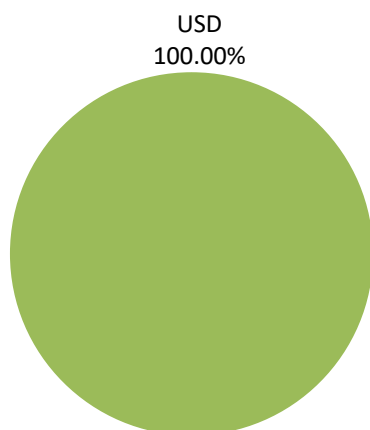
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.56%
Oman Sultanate	9.19%
Arabian Centres	6.04%
CBB International Sukuk Company	5.94%
KSA Sukuk Limited	4.64%
Oman Sovereign Sukuk	3.18%
Emaar Sukuk	2.95%
Golden Belt Sukuk	0.09%

COMMENTARY

Fixed income assets continued to climb during the month of April as expectations mounted that the cycle of raising interest has come to an end. The Dow Jones Sukuk Index gained 0.71% (YTD 1.74%); while the S&P MENA Sukuk Index has gone up by 0.95% (YTD 2.78%). The IIAB Sukuk & Murabaha MENA Fund followed suit, inching up by 0.10% (YTD 0.71%).

In April news, US Treasury Secretary Janet Yellen called for quicker action to resolve several outstanding sovereign debt restructuring cases and urged the International Monetary Fund to press all bilateral creditors to finalize such deals. The Treasury said Yellen raised the issue during meetings with IMF Managing Director Kristalina Georgieva and Spanish Economy Minister Nadia Calviño, who heads the IMF's steering committee, ahead of the IMF and World Bank Spring meetings.

In regional news, the International Monetary Fund is waiting to see Egypt enact more of the wide-ranging reforms it pledged before carrying out the first review of a USD3 billion rescue program, according to people familiar with the matter. The Washington based lender wants to see privatization deals for state assets and genuine flexibility in Egypt's currency to ensure the review is successful. The IMF approved a 46-month program for the North African country last December, later signaling the review would likely be completed in March. On the same note, Egypt's central bank chief said higher interest rates can do little to contain inflation that he described as stoked mainly by supply issues. The central bank raised interest rates by 1,000 basis points over the past year.

In energy news, OPEC+ announced a surprise oil production cut of more than 1 million barrels a day, abandoning previous assurances that it would hold supply steady and posing a new risk for the global economy. It's a significant reduction for a market where supply was looking tight for the latter part of the year. Saudi Arabia led the cartel by pledging its own 500,000 barrel-a-day supply reduction. Fellow members including Kuwait, the United Arab Emirates and Algeria followed suit, while Russia said the production cut it was implementing from March to June would continue until the end of the 2023. The surprise move could once again flare tensions between the US and Saudi Arabia.

In issuance news, UAE launched dirham-denominated Islamic treasury sukuk with a benchmark auction size of AED1.1 billion. T-sukuk were initially issued in 2, 3, 5-year tenures, followed by a 10-year sukuk later. The Ministry of Finance has onboarded 8 banks as primary dealers to participate in the T-sukuk primary market auction and to actively develop the secondary market. Additionally, the UAE based real estate developer Damac raised USD400 million through a 3 year sukuk at a final yield of 7.75%.

Moreover, the Kingdom of Bahrain, acting through the Ministry of Finance and National Economy has arranged a series of investor calls to issue a fixed rate transaction consisting of a long 7-year sukuk pursuant to its Trust Certificate Issuance Program and a 12-year bond pursuant to its Global Medium Term Note Program. Finally, Saudi Electricity Company has released an initial price target (IPT) for a dual tranche USD sukuk issue. The IPT is 165 bps area above the 10-year US treasury rate for the 10-year tranche, and 240 bps area above the 30-year US Treasury rate for the 30-year tranche.



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In ratings news, Saudi Arabia's sovereign debt rating was raised to A+ by Fitch Ratings, which cited the country's efforts to diversify its economy away from a reliance on oil sales and large reserves. The upgrade reflects the kingdom's "strong fiscal and external balance sheets" and "assumes ongoing commitment to gradual progress with fiscal, economic and governance reforms," Fitch said in a statement.

Furthermore, S&P Global Ratings took a far more downbeat view of Egypt's finances than the International Monetary Fund, and forecast a further currency depreciation in lowering the country's outlook to negative. Though expecting enough net flows to cover Egypt's current-account deficits through fiscal year 2026, S&P projects the central bank's gross reserves will average about USD32 billion during the period — only half the level the IMF sees them reaching over the same time. The stockpile has risen above USD34 billion in recent months. S&P also anticipates the local currency will decline by about 53% by the end of this fiscal year to June 30, from 12 months earlier.

The Fund was 43.19% invested at the end of the month of April. It was positioned with an average yield to maturity of 0.88% and an average maturity of 0.94 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.

