

IIAB Sukuk & Murabaha MENA Fund

Performance Report 28.09.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$8.61

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, murabahas 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	USD 7,515,483	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

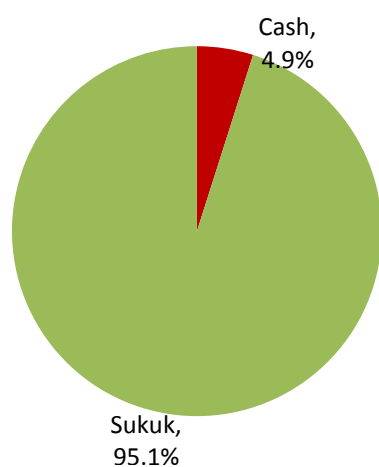
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2018	-0.23	-0.68	-0.30	-0.20	-0.40	0.09	0.69	0.24	0.18				-0.60
Benchmark	0.14	0.15	0.17	0.19	0.20	0.19	0.19	0.19	0.19				1.63
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
2015	0.39	0.37	-0.33	0.56	0.21	-0.57	0.49	-0.51	-0.10	0.04	-1.36	-0.10	-0.91
2014	0.12	0.29	-0.10	0.19	0.27	-0.17	0.12	0.21	-0.44	-0.21	0.27	-1.05	-0.51
2013	-0.15	-0.01	-0.08	0.45	-0.26	-1.03	-0.17	0.33	0.13	0.34	0.10	-0.10	-0.45

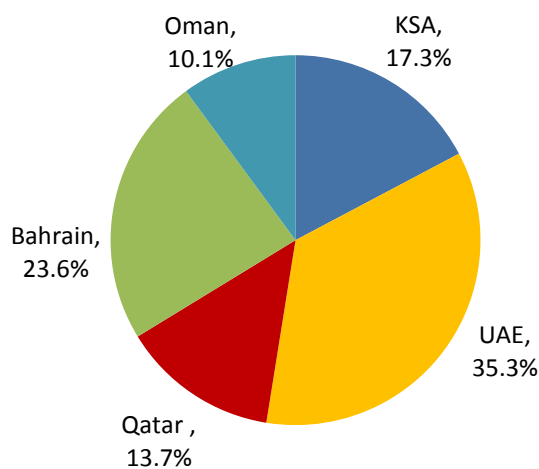
ASSET ALLOCATION (%)

	Actual
Cash	4.9%
Sukuk	95.1%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

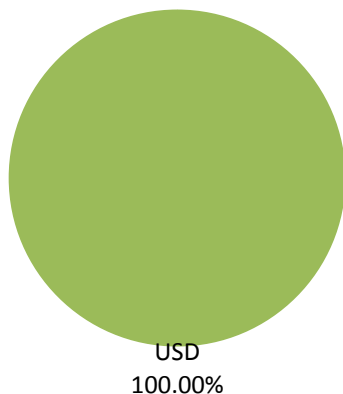


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.99%
Emaar Malls Group Sukuk LTD	9.93%
Ooredoo Tamweel LTD	6.65%
Qatar Islamic Bank Sukuk	6.48%
Kingdom of Saudi Arabia	6.47%
OMAN SULTANATE 3.5%	6.44%
Dubai Islamic Bank Sukuk	6.44%
Saudi Electric Co. Sukuk	6.38%
CBB International Sukuk Company	6.30%
Mumtalakat Sukuk Holding	6.28%

COMMENTARY

The region's Sukuk markets witnessed small movements in September. The Dow Jones Sukuk Index lost 0.42% (YTD -3.09%) while the S&P MENA Sukuk Index remained flat (YTD -0.05%). However, the IIAB Sukuk & Murabaha MENA Fund rose by 0.18% (YTD -0.60%) to close at a unit price of USD8.61.

Saudi Arabia was an active participant of the Sukuk market this past month. The Kingdom closed an SAR4 billion domestic Sukuk issuance under the government's SAR-denominated Sukuk program. The Sukuk was divided into three tranches: The first worth SAR2.25 billion with a five-year maturity, the second worth SAR500 million with a seven-year maturity and the third was set at SAR1.25 billion with a 10-year maturity. This latest domestic sale was a tap of July's issue and thus takes the total amount of domestic Sukuk for 2018 to SAR7.465 billion.

Moreover, Saudi Arabia sold USD2 billion of international Sukuk, the second of its kind following last year's USD9 billion issue. The new Sukuk completes its external funding requirements for the year. There was wide investor appetite for the deal as the price guidance tightened to a final spread of 127 bps over mid-swaps (a yield of 4.3%) and orders topped USD10 billion. The paper matures in January 2029.

Other new issuances included Saudi Electricity Company's USD2 billion dual tranche Sukuk issue. The first five-year tranche has a value of USD800 million with a yield of 4.22% (115 bps over mid-swaps), and the second 10-year tranche is worth USD1.2 billion with a yield of 4.723% (160 bps over mid-swaps). In addition, Islamic Development Bank raised USD1.3 billion in an international sale of senior unsecured Sukuk. The triple-A rated institution's five-year issue was priced with a profit rate of 3.389% (32 bps over mid-swaps).

Meanwhile, in the UAE, Abu Dhabi led in terms of Sukuk issuance, with three benchmark Sukuk issued during September. Abu Dhabi Islamic Bank successfully raised US\$750 million of additional tier 1 perpetual Sukuk. The paper, which is non-callable for a five-year period, is rated 'B1' by Moody's Investors Service and carries a profit rate of 7.125%. It comes as part of a broader capital raising exercise to maintain the momentum in its growth while preserving its capital buffer; the exercise also included an AED1 billion rights issue. At the same time, Al Hilal Bank issued USD500 million-worth of 5-year Sukuk. The Sukuk was priced to yield 4.463% (148 bps over mid-swaps). Furthermore, Aldar Properties raised USD500 million from the sale of 7-year Sukuk with a price to yield 170 bps over mid-swaps.

In Qatar, the Central Bank floated three-year and five-year Sukuk papers for a total of QAR2.2 billion (USD596.33 million). According to S&P Global Ratings, the boycott puts Qatar at the highest risk, globally, of being downgraded by the rating agency. In a research note, S&P said the country continues to feel the impact of a boycott by other Arab states. Diplomatic tensions may continue to place pressure on Qatar's economic, fiscal, and external metrics, especially with no end to the boycott in sight.

In other news, sovereign and quasi-sovereign debt issuers from Saudi Arabia, Qatar, the UAE, Bahrain, and Kuwait will become eligible for JP Morgan's emerging market government bond indexes (EMBI) next year. Both conventional and Islamic papers will be eligible for inclusion and the move is likely to lure billions of dollars of new foreign investment into their debt. The GCC countries, when included, will represent around 11.2% of JP Morgan's EMBI Global Diversified and EMBI Global series.

The Fund closed the month positioned with an overall weighted average maturity of 3.82 years, and a weighted average yield to maturity (YTM) of 4.55%.



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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.

