

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.03.18

**NAV PER SHARE** **\$8.56**

## 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

<b>Domicile</b>	Guernsey Channel Islands	<b>Valuation point</b>	Monthly, last business day of the month
<b>Reference currency</b>	USD	<b>Minimum subscription</b>	USD 25,000 & USD 1,000 thereafter
<b>Fund assets</b>	USD 7,470,124	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
		<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Launch date</b>	28 February 2008	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	IIABSUK GU Equity

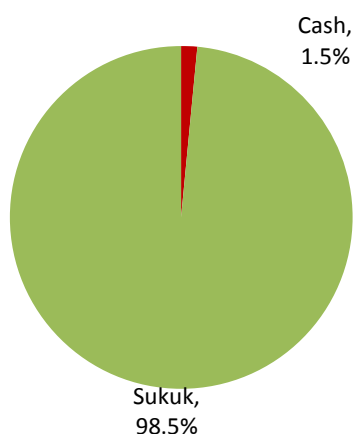
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2018	-0.23	-0.68	-0.30										-1.20
Benchmark	0.14	0.15	0.17										0.46
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

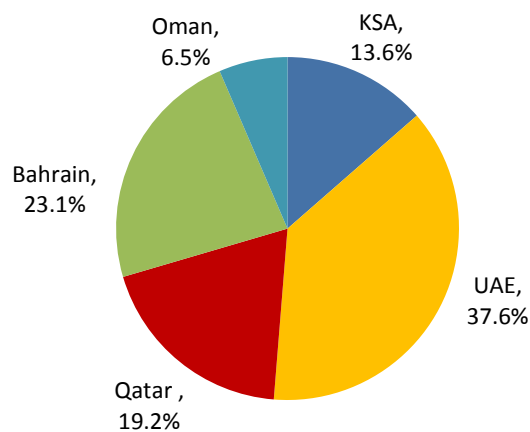
## ASSET ALLOCATION (%)

	Actual
Cash	1.5%
Sukuk	98.5%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

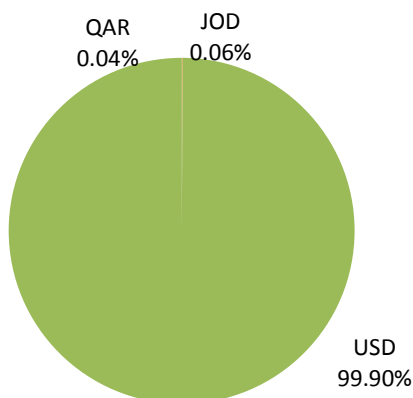


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	10.26%
CBB International Sukuk Company	10.19%
Alpha Star Holding Limited ( Damac Properties)	6.70%
Ooredoo Tamweel LTD	6.69%
Qatar Islamic Bank Sukuk	6.50%
Saudi Electric Co. Sukuk	6.47%
Mumtalakat Sukuk Holding Company	6.36%
CBB International Sukuk Company	6.28%
Ezdan Sukuk Company LTD	5.77%
Dubai Islamic Bank Sukuk	5.43%

## COMMENTARY

The S&P MENA Sukuk Index inched up by 0.05% (YTD -1.03%), while the global Dow Jones Sukuk Index fell by 0.17% (YTD -2.03%). The IIAB Sukuk & Murabaha MENA Fund shed 0.30% to USD8.56 per unit (YTD -1.20%).

This month the global Sukuk market was dominated by the Middle East. In Saudi Arabia, the Ministry of Finance reopened its fifth Sukuk issuance originally made in January under the government's SAR-denominated Sukuk program. The issue size was set at SAR4.85 billion (USD1.3 billion) and brought the total volume of the said January issue to SAR17.92 billion. The ministry divided the issuance into three tranches: SAR2.6 billion maturing in five years, SAR1.85 billion maturing in seven years, and SAR400 million maturing in 10 years.

In the UAE, the Emirate of Sharjah issued a USD1 billion 10-year Sukuk facility, the first under its newly established Sukuk program. It sold at 135 bps over the 10-year mid-swap rate leading to a profit rate of 4.226%. The Sukuk was subsequently listed on NASDAQ Dubai.

The Qatari Central Bank also floated QAR900 million (USD246 million) worth of five-year Sukuk. Furthermore, the Central Bank of Bahrain's issuance of Sukuk Ijarah and Sukuk Salam were fully subscribed.

In corporate issuances, First Abu Dhabi Bank concluded the sale of five-year Sukuk at a final price of 95bps over mid-swaps and final profit rate of 3.625%. The issuance was worth USD650 million and received orders of above USD1.3 billion. The Sukuk were listed in London. Also in the UAE, Emirates Airlines raised USD600 million through a 10-year Sukuk issue at a final reoffer yield of 4.6% whereas the final profit rate was set at 4.5%. Following the sale, the Sukuk was listed on the Irish Stock Exchange and NASDAQ Dubai.

In other news, Fitch downgraded Bahrain's credit rating to BB- from BB+. Fitch cited the country's efforts to trim spending and increase revenue has not been effective in stabilizing the government's debt to GDP ratio, which increased to 81.5% in 2017 from 73.3% in 2016. Moreover, Fitch sees Bahrain's fiscal break-even oil price will be around USD95 per barrel in 2019. The country's outlook is stable. Meanwhile, Moody's Investor Service lowered the long-term issuer and senior unsecured bond rating of the government of Oman to Baa3 from Baa2. Oman's outlook remains negative. The key driver of the downgrade is Moody's expectation that the country's fiscal and external metrics will continue to weaken due to institutional and policy restraints. The negative outlook reflects Moody's view that if the prevailing absence of significant measures to narrow the fiscal and current account deficits continues, Oman's capacity to absorb potential shocks may erode further.

Over in the U.S., the Federal Reserve, meeting for the first time under chair Jerome Powell, raised the benchmark lending rates by 25 bps, which now stands at 2.25%. During the meeting, Fed officials forecast a steeper path of hikes in 2019 and 2020 to complement improving economic outlook. Meanwhile, the Dollar Index fell by 0.71% (YTD -2.33%) this March.

Saudi Arabia's central bank, in unusual timing, raised its key interest rate prior to the Fed meeting in an effort to prevent Saudi money rates from falling too far below U.S. rates and triggering capital outflows from the kingdom. The central bank raised its two key interest rates by 25 bps.

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Three month USD Libor, one of the benchmarks for setting borrowing rates worldwide, continued its climb since the beginning of the year as it rose 15.23% during the month (YTD +36.44%) to close at 2.31%, the highest since 2008. The Libor increase can be attributed to the surge in Treasury-bill issuance since the US debt ceiling was raised earlier this year, in addition to the U.S. tax overhaul and the Fed's tightening policy. Short-term funding markets worldwide are starting to feel the effects of extraordinarily high US Dollar Libor rates, as it is becoming more costly for some institutions to borrow outside the US.

The Fund has maintained its geographic and sector diversity, notwithstanding the volatile policy backdrop, with due regard in terms of the term structure, preserving a consistent bias to below medium maturity. The Fund closed the month positioned with an overall weighted average maturity of 4.04 years, and a weighted average yield to maturity (YTM) of 4.58%.

## 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.

