

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.09.23

NAV PER SHARE

\$9.10

## 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

<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>	7,939,429	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
<b>Launch date</b>	28 February 2008	<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Listing</b>	CISX	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
		<b>BBG code</b>	IIABSUK GU Equity

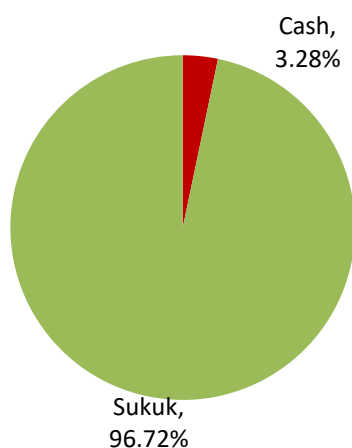
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22	0.18	0.10	-0.52	-0.14	0.13	-0.09	-0.66				-0.59
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

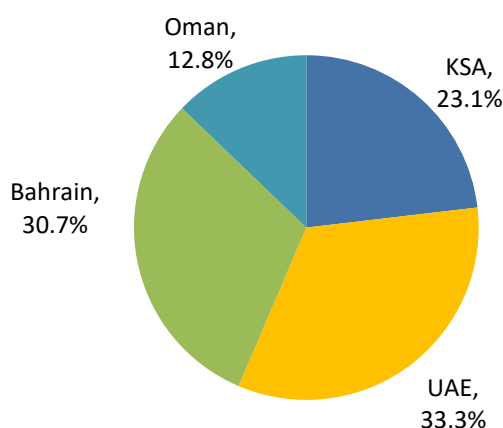
## ASSET ALLOCATION (%)

	Actual
Cash	3.28%
Sukuk	96.72%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

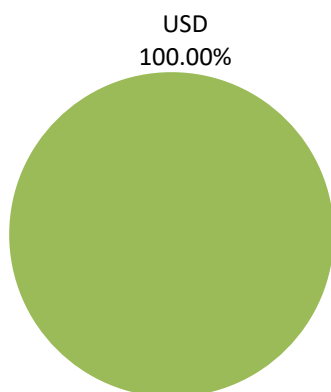


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

CBB International Sukuk Company	9.59%
Oman Sultanate	9.31%
KSA Sukuk Limited	8.99%
Mumtalakat Sukuk	8.73%
Arabian Centres	6.07%
DP World Crescent Limited	6.05%
CBB International Sukuk Company	6.01%
MAF Sukuk Limited	6.00%
Sharjah Sukuk PROG	5.89%
Emaar Sukuk	5.77%

## COMMENTARY

MENA Fixed income indices have continued to bleed during the month of September as the US Central Bank's message of "higher rates for longer" began to resonate with market participants, lifting yields on fixed income instruments. The Dow Jones Sukuk Index fell 1.35% (YTD -1.76%), while the S&P MENA Sukuk Index shed 0.92% (YTD 1.09%). The IIAB Sukuk & Murabaha MENA Fund's performance for the month was not dissimilar, recording a 0.66% decline (YTD -0.59%).

Federal Reserve Chair Jerome Powell made clear the central bank is close to done raising interest rates, but his colleagues reiterated the message that borrowing costs must remain higher for longer amid renewed strength in the economy. After a series of rapid rate hikes over the past 18 months, the Fed can now "proceed carefully," Powell said — a sentiment he repeated at least a dozen times during a press conference that followed the central bank's decision to leave rates unchanged. On another front, rating agency Moody's said a US government shutdown would harm the country's credit, a stern warning coming one month after Fitch downgraded the U.S. by one notch on the back of a debt ceiling crisis. U.S. government services would be disrupted and hundreds of thousands of federal workers furloughed without pay if Congress fails to provide funding for the fiscal year starting October 1st. A possible shutdown would be further evidence of how political polarization in Washington is weakening fiscal policymaking at a time of rising pressures on U.S. government debt affordability because of higher interest rates.

Moreover, the International Monetary Fund said that the global debt as a share of economic output fell significantly in 2022 for the second year in a row, but the decline may be ending as a post-COVID growth surge fade. The IMF said in an update to its Global Debt Database that the world's total debt to-GDP ratio fell last year to 238% from 248% in 2021 and 258% in 2020. But the decline for the past two years, driven by strong growth and stronger-than-expected inflation, has recouped only about two thirds of the COVID-induced spike in global debt.

In regional news, Dubai said it lowered its total debt to 25% of GDP by repaying loans including those it had secured from Abu Dhabi and the United Arab Emirates central bank, taking advantage of an economic recovery. The emirate repaid a combined 28.5 billion dirhams (USD7.8 billion) within a year and a half, its media office said, citing its debt management office. It repaid 20 billion dirhams as part of its total financing from Abu Dhabi and the central bank. The burden has eased as Dubai's economy booms, according to S&P Global Ratings, declining from a high of 78% in 2020.

In issuance news, Islamic Development Bank raised USD1 billion through a 5-year USD denominated sukuk at a final profit rate of 4.386% (SOFR Swap + 52 bps). Furthermore, Energy Development Oman (rated BB by Fitch and S&P) has released IPT at UST 10 + 200 bps area for a debut 10-year sukuk, while DP World raised USD1.5 billion through a 10 year Green sukuk issue at a final profit rate of 5.50% (UST 10 + 119.8 bps). Finally, the Emirate of Sharjah raised USD750 million through a 10.5-year sukuk issue at a final profit rate of 6.092% (UST + 180 bps).



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In rating updates, Kuwait's long-term issuer default rating was affirmed by Fitch at AA-. Long-Term Local Currency Issuer Default Rating was affirmed by Fitch at AA-. Outlook remains stable. Moreover, Oman's long-term foreign currency debt rating was upgraded by Fitch to BB+, one level below investment grade, from BB. Long-Term Issuer Default Rating was upgraded by Fitch to BB+, one level below investment grade, from BB. Long-Term Local Currency Issuer Default Rating was upgraded by Fitch to BB+, one level below investment grade, from BB. Outlook to stable from positive.

The Fund was 98.07% invested at the end of September, with an estimated average yield to maturity of 3.21% and an estimated average maturity of 3.38 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.

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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.

