

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.12.23

NAV PER SHARE

\$9.31

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	8,129,381	Fund Manager	AB Fund Managers (Guernsey) Ltd
Launch date	28 February 2008	Investment Advisor	Al Arabi Investment Group Co (AB Invest)
Listing	CISX	Dealing frequency	Monthly, 7 business days prior to month end
		BBG code	IIABSUK GU Equity

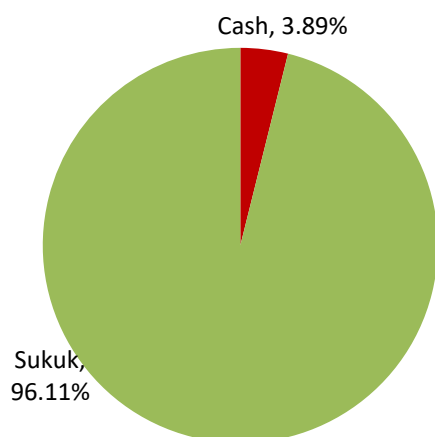
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22	0.18	0.10	-0.52	-0.14	0.13	-0.09	-0.66	-0.95	1.82	1.52	1.79
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

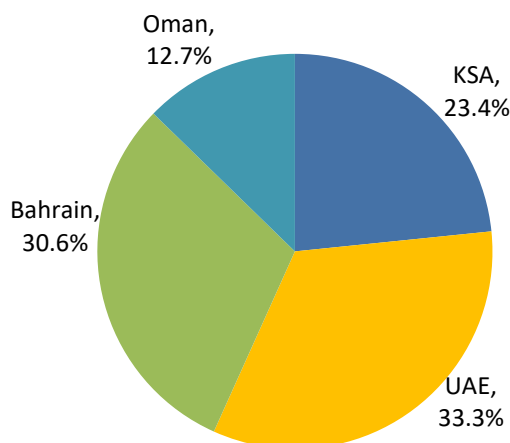
ASSET ALLOCATION (%)

	Actual
Cash	3.89%
Sukuk	96.11%

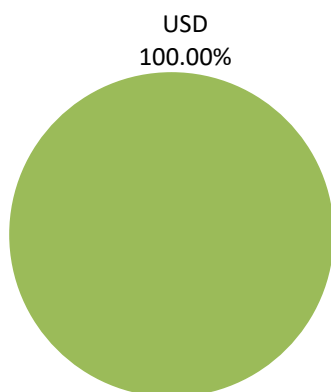
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.37%
Oman Sultanate	9.16%
KSA Sukuk LTD	9.15%
Mumtalakat Sukuk	8.67%
DP World Crescent Limited	6.12%
MAF Sukuk LTD	6.01%
Arabian Centres	5.97%
Sharjah Sukuk	5.89%
CBB International Sukuk Company	5.88%
EMAAR SUKUK LTD	5.67%

COMMENTARY

MENA Fixed income indices continued their upward trajectory for the second straight month to end the year higher, as investors expect the end of interest rate hike cycle and the beginning of the rate cut cycle year ahead. The Dow Jones Sukuk Index rose 2.22% (YTD 1.69%), while the S&P MENA Sukuk Index gained 2.84% (YTD 5.43%) by the end of the year. The IIAB Sukuk & Murabaha MENA Fund also ended the month on a positive note, going up by 1.52% (YTD 1.79%).

December's headlining news was that the Federal Reserve held interest rates steady for a third meeting and gave its clearest signal yet that its aggressive hiking campaign is finished by forecasting a series of cuts next year. Officials decided unanimously to leave the target range for the benchmark federal funds rate at 5.25% to 5.5%, the highest since 2001. Policymakers penciled in no further interest-rate hikes in their projections, for the first time since March 2021, based on the median estimate. While Chair Jerome Powell said officials are prepared to hike again if price pressures return, he indicated policymakers are now turning their focus to when to cut rates as inflation continues its descent toward their 2% goal.

This came after the US federal budget deficit jumped 26% in November from a year earlier to USD 314 billion, a record for the month and the highest since March, the Treasury Department said on Tuesday, driven by sharply higher interest costs and other outlays. Economists polled by Reuters had estimated the deficit for the second month of the fiscal year would come in at USD 301.05 billion.

In MENA news, Egyptian inflation eased for a second consecutive month to reach its lowest level since May, handing authorities a measure of good news just as voting begins in presidential elections. Annual urban inflation was 34.6% in November compared to 35.8% the previous month, according to the state-run CAPMAS statistics agency.

Moreover, Saudi Arabia recorded higher budget revenues than expected in 2023 despite a sharp drop in oil prices and production. Still, a ramp-up in spending on Crown Prince Mohammed bin Salman's multi-trillion-dollar plan to diversify the economy left the budget in deficit, according to official figures published.

In Oil news, OPEC+ agreed to deepen its production cuts following a slump in crude prices and predictions of a renewed surplus next year. Members of the group agreed to make 1 million barrels a day of additional oil-supply cuts, delegates said. That reduction comes alongside the much-anticipated extension into next year of Saudi Arabia's voluntary output curb of the same size.

In rating updates, Moody's Investors Service has upgraded the Government of Oman's long-term issuer and long-term senior unsecured ratings to Ba1 from Ba2 and changed the outlook to stable from positive. Moody's has also upgraded the Government of Oman's senior unsecured medium-term note program rating to (P)Ba1 from (P)Ba2. The upgrade reflects Moody's expectation that the further improvements in Oman's debt burden and debt affordability metrics during 2023 will last, as the government's actions amplify the oil prices windfall gains through spending restraint and prioritization of debt repayment.



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Furthermore, Fitch affirmed Iraq's long-term issuer default rating at B-. Outlook remains stable while Tunisia's long-term issuer default rating has been affirmed by the same ratings' agency at CCC-.

The Fund was 97.07% invested at the end of December, with an average yield to maturity of 1.19% and an average maturity of 3.10 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.

