

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.04.18

NAV PER SHARE

\$8.54

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 7,455,560	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

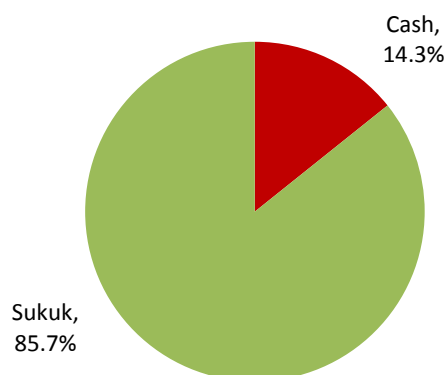
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2018	-0.23	-0.68	-0.30	-0.20									-1.39
Benchmark	0.14	0.15	0.17	0.19									0.65
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

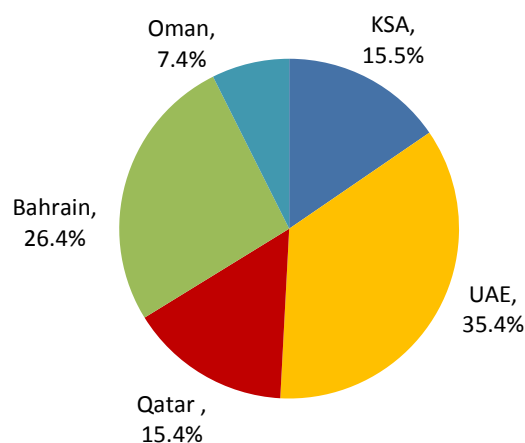
ASSET ALLOCATION (%)

	Actual
Cash	14.3%
Sukuk	85.7%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

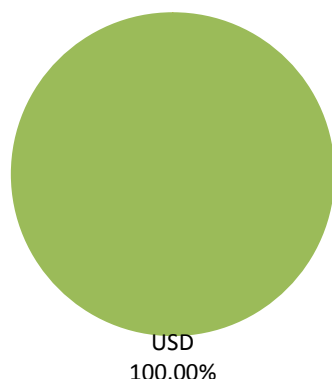


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	10.15%
CBB International Sukuk Company	10.14%
Ooredoo Tamweel LTD	6.70%
Qatar Islamic Bank Sukuk	6.51%
Saudi Electric Co. Sukuk	6.40%
Mumtalakat Sukuk Holding	6.33%
CBB International Sukuk Company	6.25%
Dubai Islamic Bank Sukuk	5.41%
Saudi Electric Co. Sukuk	3.39%
ADIB Capital Sukuk	3.37%

COMMENTARY

MENA Sukuk markets slipped this past month after a small but mixed performance in March. The Dow Jones Sukuk Index lost 0.93% (YTD -2.94%) and the S&P MENA Sukuk Index fell by 0.59% (YTD -1.62%). The IIAB Sukuk & Murabaha MENA Fund shed 0.20% (YTD -1.39%).

April kicked off the month with what has become an expected plethora of short-term sovereign issuances to manage liquidity. The issuances included papers from Kuwait, Bahrain, and Saudi Arabia among others. Meanwhile, Morocco published a new securitization law that could encourage sovereign issuances of its own.

In sovereign issuance, Saudi Arabia printed a further tranche of domestic Sukuk. The Ministry of Finance sold SAR5 billion (USD1.33 billion) in its sixth monthly offer of domestic Sukuk selling SAR4.9 billion last month. The latest issuance was divided into three tranches; SAR3.8 billion of five-year, SAR750 million of seven-year, and SAR450 million of 10-year Sukuk. Over in Kuwait, the Central Bank launched three conventional bonds, each with related Tawarruq facilities. The first was a KWD240 million (USD797.5 million) issue with a 6-month maturity and a 2.375% rate of return. The second and third issuances were also worth KWD240 million but had maturities of 3 months and returns of 2.250%.

On the corporate side, Sharjah Islamic Bank issued a USD500 million Sukuk facility with a maturity of five years, priced at 150 bps over mid-swaps. The Bank is rated A3 by Moody's and BBB+ by both S&P and Fitch. At the same time, DAMAC Properties launched USD400 million of five-year Sukuk at a final profit rate of 6.25%. Documents showed orders rose to around USD850 million, over two times the subscription amount. In addition, Noor Bank issued a five-year Sukuk facility worth USD500 million with a final profit rate of 4.47%. The issue was oversubscribed 2.1 times. All three Sukuk were listed on NASDAQ Dubai. The latest listings by SIB, DAMAC Properties, and Noor Bank bring the total value of all Sukuk listed in Dubai to USD59.72 billion, strengthening the Emirate's role as the leading global center for Sukuk listings by value.

In inaugural Sukuk sales, Bidaya Home Finance became the first housing finance company in Saudi Arabia to issue a Sukuk. The company sold SAR250 million (USD66.6 million) of unsecured Sukuk as the first tranche of its SAR500 million Sukuk program. The paper has a tenor of 24 months and carries a profit rate of 3.75%.

Meanwhile in the UAE, the Central Bank implemented a new EIBOR calculation system to increase transparency and more accurately reflect market conditions. Following the implementation, EIBOR rates went up slightly. The new system should boost currency exchange and financing industries in the UAE.

Moody's does not expect the creditworthiness of GCC economies to rise due to the recent recovery in oil price. This is because ratings are based on each governments' response to economic, fiscal, and external challenges. Moody's affirmed Saudi Arabia's long-term issuer and senior unsecured ratings at 'A1' on the expectation that fiscal consolidation will continue over the medium term, stabilizing the government's debt burden. The ratings agency also expects the country's structural reform agenda will reduce the economy's exposure to oil prices. The agency also reiterated Saudi Arabia's stable outlook, indicating that the risks to the ratings are balanced.

The Fund has maintained a geographic and sector diversity, notwithstanding the volatile policy backdrop, with due regard to upward pressures in the yield environment, preserving a consistent bias to below medium maturity. The Fund closed the month positioned with an overall weighted average maturity of 3.71 years, and a weighted average yield to maturity (YTM) of 3.95%.

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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

Whilst the information contained in this report is provided in good faith, no representation or warranty, express or implied, is made to its accuracy or completeness.

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This Fact Sheet is not an invitation to make an investment, nor does it constitute an offer for sale. In addition, it does not constitute as an advertisement in a country where the Fund is not registered for sale.

For the purposes of FSA regulation, the fund is defined as an "Unregulated Collective Investment Scheme" and the promotion of such schemes either within the UK or from the UK is severely restricted by statute. Consequently, this report is only made available to Professional Clients and Eligible Counterparties as defined by the Financial Services Authority and to persons falling within the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. The fund is only offered on the basis of the Offering Memorandum and any supplements thereto.

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.