

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.04.22

NAV PER SHARE

\$9.20

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	8,028,655	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

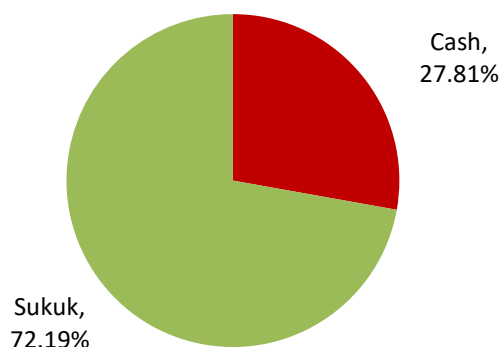
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59	-0.58									-2.01
Benchmark	0.02	0.03	0.04	0.08									0.17
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
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

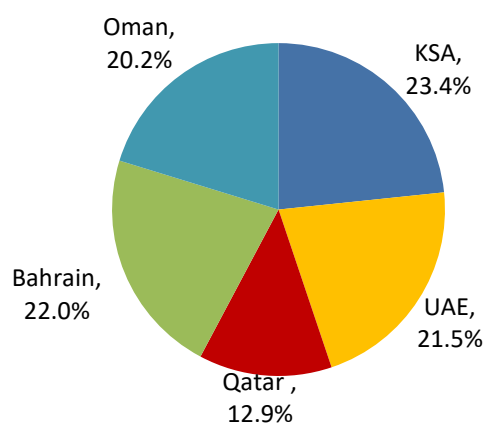
ASSET ALLOCATION (%)

	Actual
Cash	27.81%
Sukuk	72.19%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

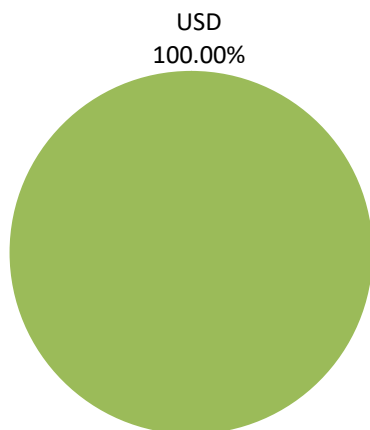


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.87%
OMAN SULTANATE	9.35%
First Abu Dhabi Bank Sukuk	6.27%
State of Qatar Sukuk	6.27%
Dubai Islamic Bank Sukuk	6.26%
Saudi Electric Co. Sukuk	6.12%
CBB International Sukuk Company	6.06%
Arabian Centres	6.06%
KSA Sukuk Limited	4.75%
Oman Sovereign Sukuk	3.27%

COMMENTARY

Fixed income assets suffered in April as inflation ticked up in the US raising the prospect of a sooner than anticipated interest rate increase by the US Fed. The Dow Jones Sukuk Index dropped 2.59% (YTD -7.30%) while the S&P MENA Sukuk Index declined 1.94% (YTD -5.76%). The IIAB Sukuk & Murabaha MENA Fund followed suit, shedding 0.58% (YTD -2.01%).

In April news, the International Monetary Fund slashed its world growth forecast by the most since the early months of the Covid-19 pandemic, and projected even faster inflation, after Russia invaded Ukraine and China renewed virus lockdowns. Global expansion will slow to 3.6% in 2022, down from a forecast of 4.4% in January before the war, the IMF said in an update to its World Economic Outlook. That compares with 6.1% growth in 2021. The institution also lowered its projection for 2023 to 3.6% from a prior 3.8%. The Fund sees inflation for this year at 5.7% in advanced economies and 8.7% in emerging and developing countries, significantly higher than just a few months ago.

Moreover, the World Bank has also cut its forecast for global economic expansion this year on Russia's invasion of Ukraine and is planning to mobilize a funding package bigger than the Covid-19 response for nations to deal with various resulting and ongoing crises. The Washington-based institution has lowered its estimate for global growth in 2022 to 3.2% from a January prediction of 4.1%.

In the US, Federal Reserve Chair Jerome Powell outlined his most aggressive approach to taming inflation to date, potentially endorsing two or more half percentage-point interest-rate increases while describing the labor market as overheated. A rate increase in May, following the Fed's decision to lift rates from near zero by a quarter percentage point last month, would mark the first time since 2006 that the central bank increased its policy rate at back-to-back meetings. A half-point increase would be the first such move since 2000.

In regional news, the UAE is set to launch its domestic dirham-denominated treasury bonds with a benchmark auction size of AED1.5 billion (USD408 million), the Ministry of Finance said in a statement. The conventional T-Bonds will be denominated in UAE dirhams to develop the local bonds debt market and ultimately help develop the mid-term yield curve, the Ministry added. The bonds will initially have tenures of two, three and five years, followed by a 10-year bond later.

Furthermore, Islamic debt will increasingly conform to sustainability criteria as issuers look to tap into the burgeoning market for ethical investing, according to Fitch Ratings. The share of sukuk that also meet environmental, social, and governance standards is set to double to 5% in the medium term in response to investor demand, the ratings company said. Sales are already booming, with the amount of ESG-linked sukuk outstanding totaling USD17.4 billion in the first quarter, three times the amount in late 2019. On the same front, Oman raised USD4 billion in financing from regional and international lenders last month, according to Bloomberg. The seven-year funding will be used for general sovereign financing and refinancing, and more than 20 banks participated in the facility,



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In ratings news, S&P Global Ratings upgraded Oman's long-term foreign and local currency sovereign credit rating to 'BB-' from 'B+', citing higher oil prices, rising hydrocarbon production and the government's fiscal reform programme. The credit rating agency also revised the Gulf country's outlook to stable. Furthermore, Kuwait's long-term foreign currency debt rating was affirmed by S&P at A+. Outlook remains negative.

At the same time, Bahrain's long-term foreign currency debt rating was affirmed by S&P at B+. Outlook remains stable, while Ratings agency Fitch revised its outlook on Saudi Arabia to "positive" from "stable" on Thursday, citing improvements in the country's sovereign balance sheet given higher oil revenues. Saudi Arabia expects to post its first budget surplus in nearly a decade this year by keeping a tight rein on its budget while revenues roll in, boosted by higher crude prices.

The Fund was 73.56% invested at the end of the month of April. It was positioned with an average yield to maturity of 1.20% and an average maturity of 1.62 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

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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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.

