

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 30.06.21

A protected cell of the IIAB PCC Ltd

## NAV PER SHARE

\$9.46

## 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>	8,254,100	<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

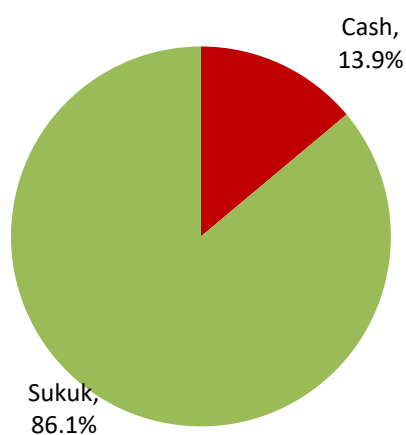
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26	-0.14	-0.20	0.29	0.29	-0.06							0.43
Benchmark	0.02	0.02	0.02	0.02	0.01	0.01							0.09
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
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

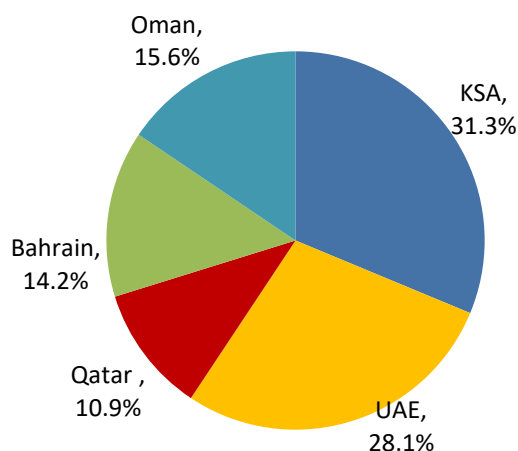
## ASSET ALLOCATION (%)

	Actual
Cash	13.9%
Sukuk	86.1%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

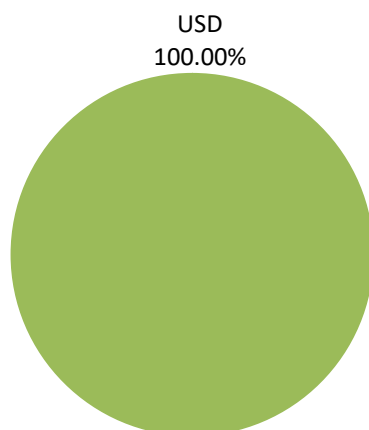


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

OMAN SULTANATE	9.42%
Sharjah Islamic Bank Sukuk	8.51%
First Abu Dhabi Bank Sukuk	6.35%
Arabian Centres	6.33%
State of Qatar Sukuk	6.32%
Dubai Islamic Bank Sukuk	6.31%
Saudi Electric Co. Sukuk	6.21%
CBB International Sukuk Company	6.18%
Kingdom of Saudi Arabia	6.17%
CBB International Sukuk Company	6.15%

## COMMENTARY

MENA Fixed income indices rose for the third consecutive month as global asset prices continued to climb and an overheating equities market led many to cash in and flee to the safety of fixed income. The Dow Jones Sukuk Index was up 0.17% (YTD - 0.91%), while the S&P MENA Sukuk Index gained 0.35% (YTD 0.98%). The IIAB Sukuk & Murabaha MENA Fund went the opposite direction, falling slightly by 0.06% (YTD 0.43%).

A report issued by the World Bank in June said that emerging markets and developing nations will continue to struggle with the Covid-19 pandemic and its aftermath, even as a few major economies spur the strongest post-recession global growth in 80 years. Global gross domestic product will expand 5.6% this year, up from 4.1% forecast in January, the Washington based development organization said in its semi-annual Global Economic Prospects report. That will be fueled largely by a 6.8% expansion in the US and 8.5% in China.

In regional news, the growth in shariah-compliant bond issuance this year could be hurt by complications arising from the UAE's recent adoption of tighter Islamic finance standards, according to S&P Global Ratings. Sukuk issuance will be between USD140 billion and USD155 billion in 2021 after USD139.8 billion were sold last year, Mohamed Damak, global head of Islamic finance at the rating agency, said in a webinar. One of the downside risks to that view is a need to resolve issues around Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) Standard 59 regarding the sale of debt that was adopted at the beginning of the year in the UAE. The tighter standard relating to tangibility of assets has held back some UAE banks from investing in sukuk out of concern that they may not be compliant.

Also in the UAE, Dubai-based Emirates REIT on Monday withdrew the restructuring proposal for its USD400 million Islamic bond after a group of investors successfully opposed the deal. Emirates REIT said 57% of voting sukuk-holders were in favor of its exchange offer, falling short of the 75% it required to push through the proposal. As a result, it rescinded the plan but vowed to continue exploring options to improve the REIT'S sukuk and equity trading.

In a raft of new issuances this month, the highlight was Saudi Arabian Oil Company (ARAMCO), the world's largest integrated oil and gas company, rated A1 by Moody's and A by Fitch, mandating several banks for a benchmark issuance of U.S. dollar-denominated senior unsecured multi-tranche Sukuk offering consisting of 3-, 5- and 10-year tranches under SA Global Sukuk Limited's Trust Certificate Issuance Program. Furthermore, the government of the Sultanate of Oman, has mandated several local, regional and international banks as joint lead managers and bookrunners to arrange a fixed rate 9-year USD denominated senior unsecured Sukuk transaction. Finally, Dubai real estate company Emaar Properties has hired banks for issuance of US dollar-denominated unsecured Sukuk with a 10-year tenor under Emaar Properties' USD 2.0 billion Trust Certificate Issuance Program.



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In ratings update, S&P expects a rebound in Emaar's earnings and credit metrics in 2021. S&P said Dubai residential real estate market is gaining momentum as stronger demand drives prices. Emaar Properties has the lion's share of the growth thanks to its leading market position. The agency affirmed 'BB+' long-term issuer credit rating and also revised outlook on Emaar Malls, a unit of Emaar Properties, to stable from negative. Moreover, Moody's Investors Services maintained Saudi Arabia's credit rating at A1, with a negative outlook, citing external shocks due to COVID-19 pandemic. According to a Ministry of Finance statement, the agency stressed that the structural reforms in the Kingdom led to narrowing the fiscal deficit in Q1, adding that the non-oil sector continues to recover, backed by the strong growth of infrastructure of real estate products.

The Fund was 86.79% invested at the end of the month of April. It was positioned with an average yield to maturity of 1.69% and an average maturity of 2.08 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.

