

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.06.22

NAV PER SHARE

\$9.12

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	7,962,590	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

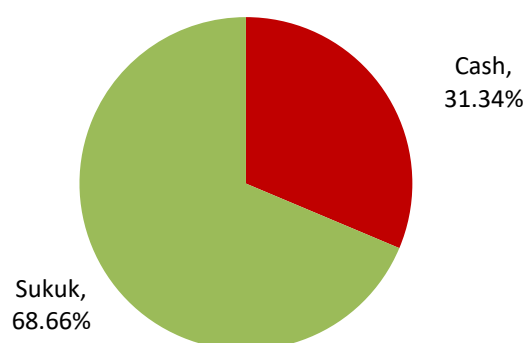
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78							-2.82
Benchmark	0.02	0.03	0.04	0.08	0.13	0.13							0.51
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

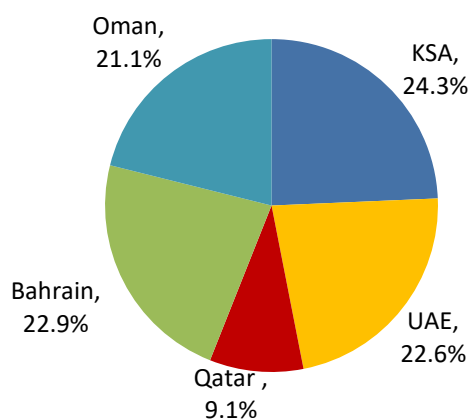
ASSET ALLOCATION (%)

	Actual
Cash	31.34%
Sukuk	68.66%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

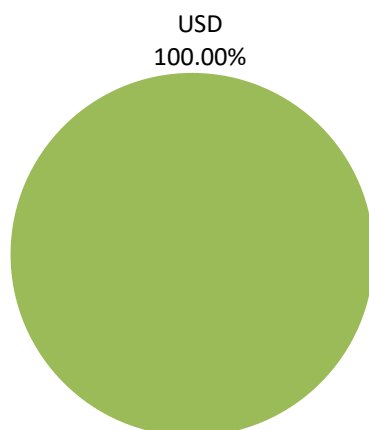


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.75%
OMAN SULTANATE	9.28%
First Abu Dhabi Bank Sukuk	6.28%
State of Qatar Sukuk	6.28%
Dubai Islamic Bank Sukuk	6.28%
Saudi Electric Co. Sukuk	6.15%
CBB International Sukuk Company	6.03%
Arabian Centres	5.94%
KSA Sukuk Limited	4.68%
Oman Sovereign Sukuk	3.20%

COMMENTARY

MENA Fixed income indices continued to decline after the US Fed raised rates by 75 basis points, the largest increase since 1994, and signaled further rate increases to tackle the spiraling inflation. The Dow Jones Sukuk Index was down 1.48% (YTD - 8.95%) during the month of June, while the S&P MENA Sukuk Index shed 1.05% (YTD -6.70%). The IIAB Sukuk & Murabaha MENA Fund was also down, falling by 0.78% (YTD -2.82%).

In marquee global news during the month of June, the Federal Reserve raised interest rates by 75 basis points -- the biggest increase since 1994 -- and Chair Jerome Powell signaled another big move next month, intensifying a fight to contain rampant inflation. The Fed intensified its effort to cool prices by lifting the target range for the federal funds rate to 1.5% to 1.75%. Powell said another 75 basis-point hike, or a 50 basis-point move, was likely at the next meeting of policy makers.

Moreover, Russia defaulted on its foreign-currency sovereign debt for the first time in a century, the culmination of ever-tougher Western sanctions that shut down payment routes to overseas creditors. For months, the country found paths around the penalties imposed after the Kremlin's invasion of Ukraine. But the grace period on about USD100 million of snared interest payments due May 27 expired, a deadline considered an event of default if missed. In more upbeat news, the International Monetary Fund said the US economy is likely to slow in 2022 and 2023 but will narrowly avoid a recession as the Federal Reserve implements its rate-tightening plan to curb inflation.

In regional news, Egypt's central bank surprised the market by leaving interest rates unchanged, saying it can do little about external shocks to prices a month after delivering its biggest hike in nearly half a decade. The Monetary Policy Committee maintained the deposit rate at 11.25% and the lending rate at 12.25%. While its move in May was more hawkish than expected, the central bank now appears content to wait out what it called "transitory deviations" of inflation from target. Moreover, the International Monetary Fund said it welcomed an economic reform program announced by the Tunisian government this month and is ready to start negotiations in coming weeks over a loan program. Tunisia, which is facing a financial crisis, is seeking to reach a deal on a USD4 billion IMF loan in return for an unpopular reform package to shore up its struggling public finances.

A growing group of countries are likely to see their credit ratings come under pressure as rising global interest rates hit already-stretched finances, one of the world's biggest rating agencies, S&P Global, has warned. A report by the firm said that heavily indebted Italy would face its highest debt bill as a percentage of its GDP since 2012 without European Central Bank help, while Ukraine, Brazil, Egypt, Ghana, and Hungary were the most vulnerable emerging market countries.

In issuance updates, the United Arab Emirates returned to international bond markets following its debut sale last year, taking advantage of demand for high-quality debt. Dual-tranche USD3 billion sovereign bonds issued by the UAE were five times oversubscribed, receiving more than USD15 billion in orders, after the size was doubled from an initial target of USD1.5 billion. Moreover, Jordan issued USD650 million of Eurobonds at a coupon 7.75% (reoffer yield of 7.95%) that were oversubscribed by two times based on final order book. The Jordanian Finance Minister said the over-subscription allowed the government to raise the amount over a 5-1/2-year maturity from the original USD500 million sought after attracting bids worth more than USD1.8 billion.



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In ratings update, Moody's updated its credit report for Saudi Arabia affirming its "A1" rating for the Kingdom of Saudi Arabia with a stable outlook. The rating affirmation is based on Moody's assessment of the government's improving track record of fiscal policy effectiveness. Moreover, the agency also affirmed Emaar Properties PJSC's Baa3 long-term issuer rating. Moody's has also affirmed the Baa3 ratings on the three backed senior unsecured sukuk due in 2026, 2029 and 2031 and the (P)Baa3 rating on the backed senior unsecured MTN program issued by Emaar Sukuk Limited. The outlook on all ratings has been changed to stable from negative.

The Fund was 71.06% invested at the end of the month of April. It was positioned with an average yield to maturity of 1.02% and an average maturity of 1.40 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.

