

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.07.21

NAV PER SHARE

\$9.45

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	8,249,503	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

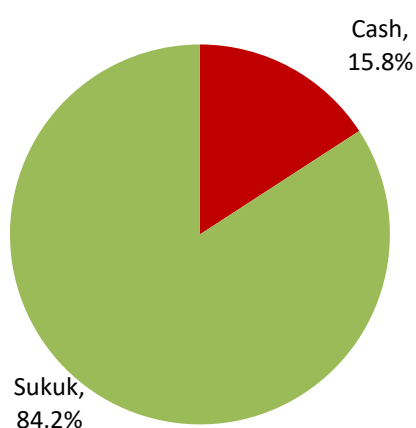
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26	-0.14	-0.20	0.29	0.29	-0.06	-0.06						0.38
Benchmark	0.02	0.02	0.02	0.02	0.01	0.01	0.01						0.11
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

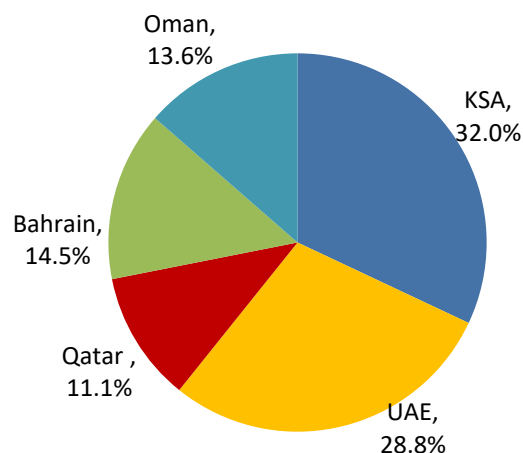
ASSET ALLOCATION (%)

	Actual
Cash	15.8%
Sukuk	84.2%

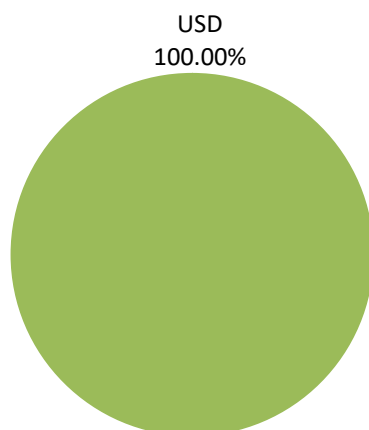
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.44%
Sharjah Islamic Bank Sukuk	8.50%
First Abu Dhabi Bank Sukuk	6.35%
State of Qatar Sukuk	6.31%
Dubai Islamic Bank Sukuk	6.29%
Arabian Centres	6.28%
Saudi Electric Co. Sukuk	6.20%
Kingdom of Saudi Arabia	6.16%
CBB International Sukuk Company	6.14%
CBB International Sukuk Company	6.12%

COMMENTARY

MENA Fixed income indices mostly struggled for direction during the month of July as higher inflation expectations worried investors about the possibility of rate hikes across the globe, along with the summer months' reduced market activity. The Dow Jones Sukuk Index crept up 0.05% (YTD -0.86%), while the S&P MENA Sukuk Index gained 0.26% (YTD 1.24%). The IIAB Sukuk & Murabaha MENA Fund on the other hand, fell slightly by 0.06% (YTD 0.38%).

Financial market conditions have stabilized in recent months following a marked rise in US Treasury yields and a sharp increase in inflation expectations in the first quarter of 2021 according to Moody's. The ratings' agency expect systemic risks in financial markets to remain moderate over the coming year, supported by accommodative monetary policy in advanced economies. Nevertheless, some asset prices appear elevated, pointing to pockets of vulnerability. Unexpected signaling of tighter monetary policy would induce higher market volatility, with an uneven impact across markets.

In regional news, Oman has asked the International Monetary Fund to provide technical assistance to help the country develop a medium-term debt strategy and strengthen its fiscal framework. The Gulf oil producer, one of the weakest financially in the region, has been hit hard by the twin shock of lower oil prices and the coronavirus crisis last year. Real gross domestic product shrank 2.8% and the state budget deficit ballooned to 19.3% of GDP due to lower oil revenue and the economic downturn.

In Saudi Arabia net foreign assets rose 2% in June, recovering slightly from their lowest level in more than a decade as higher oil prices gave the kingdom a boost. The stockpile at the central bank increased by SAR34 billion (USD9.1 billion) last month, according to the central bank's monthly report for the month of July. Net foreign assets declined significantly in 2020 as lower oil income strained finances and officials transferred USD40 billion to the kingdom's sovereign fund to fuel an investment spree.

In Issuance news Qatar's Dukhan Bank sold USD500 million in Additional Tier 1 (AT1) sukuk, at 3.95% on Wednesday after it received more than USD2.25 billion in orders. The perpetual sukuk were tightened from initial price guidance of around 4.375%.

AT1 bonds, the riskiest debt instruments banks can issue, are designed to be perpetual but issuers can call them in after a specified period. Dukhan's sukuk cannot be called in for 5-1/2 years. Moreover, The Emirate of Sharjah sold USD750 million in 10-year sukuk in its second international bond sale of the year, as it seeks to plug finances hit by the impact of the COVID-19 pandemic. Sharjah sold the Islamic bonds at 3.2%, tightened 30 basis points from initial price guidance after the sukuk attracted more than USD2.75 billion in orders.



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In ratings updates, S&P lowered the long-term foreign and local currency sovereign credit ratings on Kuwait to 'A+' from 'AA-'. The outlook is negative, reflecting risks over the next 12-24 months relating to the government's ability to overcome the institutional roadblocks preventing it from implementing a financing strategy for future fiscal deficits. In the baseline scenario, S&P still expects the authorities to adopt a debt law, or to overcome parliamentary opposition and gain access to available funding alternatives. Furthermore, Fitch Ratings has revised Saudi Arabian Oil Company's (Saudi Aramco) outlook to stable from negative while affirming the company's long-term issuer default rating (IDR) at 'A'. In a new report, the rating agency said that the revision of the outlook on Saudi Aramco's IDR is driven by a similar action on the sovereign early this month.

The Fund was 84.96% invested at the end of the month. It was positioned with an average yield to maturity of 1.66% and an average maturity of 1.99 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.

