

IIAB Sukuk & Murabaha MENA Fund

Performance Report 30.09.20

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.25

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	8,069,741	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

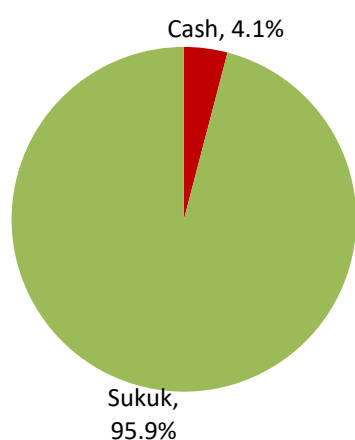
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66	1.00	1.43	0.72	0.52	0.03				0.73
Benchmark	0.16	0.15	0.12	0.12	0.05	0.03	0.03	0.02	0.02				0.14
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
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

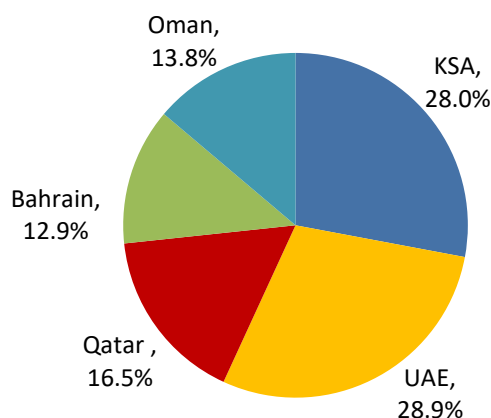
ASSET ALLOCATION (%)

	Actual
Cash	4.1%
Sukuk	95.9%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

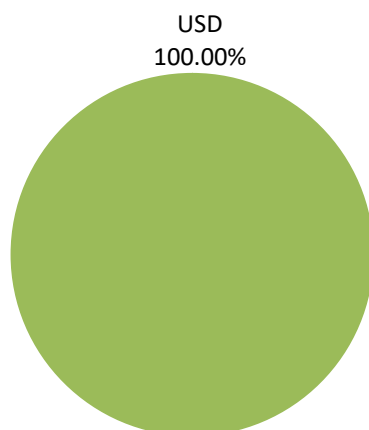


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.24%
Sharjah Islamic Bank Sukuk	8.82%
First Abu Dhabi Bank Sukuk	6.54%
State of Qatar Sukuk	6.52%
Dubai Islamic Bank Sukuk	6.44%
Kingdom of Saudi Arabia	6.39%
Saudi Electric Co. Sukuk	6.36%
CBB International Sukuk Company	6.23%
Qatar Islamic Bank Sukuk	6.20%
CBB International Sukuk Company	6.18%

COMMENTARY

The Sukuk indices went down along with the international stock markets, but their decline was a fraction of that of the stock markets and in opposition to the direction the MENA capital markets took. The Dow Jones Sukuk Index only dropped 0.32% (YTD 3.18%), and the S&P MENA Sukuk Index posted a marginal decline of 0.11% (YTD 5.09%). Both indices remain in the black on a year-to-date basis compared to the negative returns of the stock markets across the globe. On a more positive note, our IIAB Sukuk & Murabaha bucked the trend and gained 0.03% (YTD 0.73%).

There were no major developments in the region. However, the general trend of government support to the economy continued across the region. In KSA, Saudi Arabia Monetary Authority (SAMA) extended the deferred payment program for the next three years, and in the UAE the federal government decided to restore full salary payments as of October. Meanwhile in Kuwait, the government proposed a law to the parliament that will allow banks to lend SMEs up to KWD250k, and Bahrain extended the program to pay 50% of the salaries of employees in sectors affected by the Coronavirus spread. At the same time, GCC governments and corporations continued to seek the debt markets as they try to fill their financing gaps.

On the ratings front, On September 17th, Fitch Rating assigned Saudi Electricity Company green Sukuk certificates, USD650 million due 2025, and USD650 million due 2030, a final rating of A-. The issuance of the RegS 5 and 10 year Sukuk was announced on September 10th. Fitch Rating also confirmed the rating of Kuwait International Bank at A+ with a stable outlook. KIB issued USD300 million in Tier 1 Sukuk back in 2019. The same rating and outlook was given to Boubyan bank.

Meanwhile in the UAE, Emirates Islamic Bank issued USD500 million 5-year Sukuk that was 2x subscribed and priced at 170bps over mid-swap rate. In neighboring Qatar, QNB issued USD600 million in 5-year green Sukuk priced at 135 bps over mid-swap to become only the second Gulf commercial bank to venture into the green Sukuk market.

Governments were also active in issuing Sukuk with the Omani government issuing a OMR200 million (USD519.51 million) six-year local Sukuk at an annual profit of 5.25%. On September 3rd, Gulfnews reported that the government of Dubai issued USD1 billion in 10-year Sukuk at a record low rate of 2.763% and another USD1 billion in 30-year Sukuk at a rate of 3.90%.

Trade Arabia reported based on a report issued by Moody's Investor Service that the total issuance of Sukuk in Saudi Arabia increased 45% on a year-to-date basis by the end of the third quarter of the year to USD22.4 billion. In its report, Moody's estimated that almost half of the current year budget deficit will be financed through Sukuk issuance and that is expected to increase the size of the Saudi Sukuk Market from USD21 billion in 2019 to around USD40 billion by the end of 2020. Alkhaleej Today newspaper reported that Saudi banks holding of government bonds and Sukuk increased in the first eight months of the year by 11.9% to around SAR45.6 billion. The growth in issued and bought Sukuk by the government of Saudi Arabia shows both the increased reliance on the debt market as a mean of financing the central government and the attractiveness of such issues to the local banking sector.



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The increasing size of the Sukuk market increases the liquidity of the Sukuk market and increases its attractiveness to investors especially with the recent decision by Saudi Arabia to allow foreigners to invest directly in the debt market.

The Fund closed the month positioned with an overall weighted average maturity of 2.68 years, and a weighted average yield to maturity (YTM) of 2.78%.

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.

