

IIAB Sukuk & Murabaha MENA Fund

Performance Report 30.10.20

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.28

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	8,097,884	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

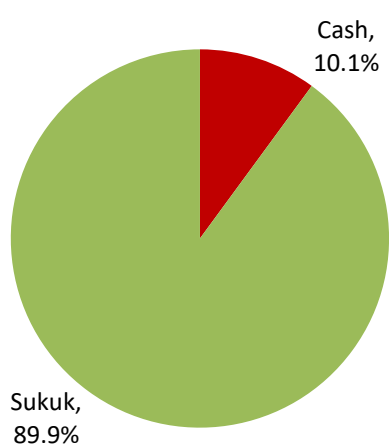
MONTHLY PERFORMANCE (%)

	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	0.35			1.09
Benchmark	0.16	0.15	0.12	0.12	0.05	0.03	0.03	0.02	0.02	0.02			0.16
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

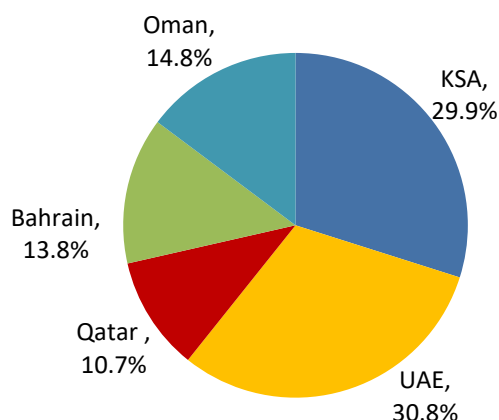
ASSET ALLOCATION (%)

	Actual
Cash	10.1%
Sukuk	89.9%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

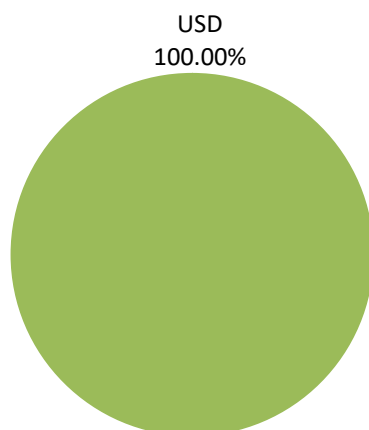


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.29%
Sharjah Islamic Bank Sukuk	8.82%
First Abu Dhabi Bank Sukuk	6.54%
State of Qatar Sukuk	6.52%
Dubai Islamic Bank Sukuk	6.45%
Saudi Electric Co. Sukuk	6.37%
Kingdom of Saudi Arabia	6.37%
CBB International Sukuk Company	6.26%
CBB International Sukuk Company	6.21%
Arabian Centres	5.77%

COMMENTARY

The Sukuk indices went up during the month of October as investors flocked to safe haven assets amid equity market volatility. The Dow Jones Sukuk Index nudged up by 0.07% (YTD 3.25%), and the S&P MENA Sukuk Index posted a gain of 0.46% (YTD 5.57%). The IIAB Sukuk & Murabaha MENA Fund followed suit, going up by 0.35% (YTD 1.09%).

In regional news, Saudi Arabia's economy contracted 7% in the second quarter YoY, illustrating the damage brought on by the oil market turmoil combined with the coronavirus pandemic. The oil sector shrank an annual 5.3%, while the non-oil economy declined 8.2%. In Kuwait, Sheikh Nawaf Al-Ahmed Al-Jaber Al-Sabah, 83, took the reins of one of the world's wealthiest countries as it faces a financial crisis made worse by internal political wrangling. Kuwait is facing the highest budget deficit in its history, brought on by the drop in oil prices and the coronavirus pandemic. Sheikh Nawaf succeeded his half-brother, Sheikh Sabah Al-Ahmed Al-Jaber Al-Sabah, who died at the end of September.

Meanwhile, the International Monetary Fund (IMF) revised down on its 2020 real gross domestic product (GDP) projections for most Gulf countries, as it warned the economic outlook was worsening for many emerging markets amid the coronavirus crisis. The IMF forecast a 2020 global contraction of 4.4% in its latest World Economic Outlook, an improvement over a 5.2% contraction predicted in June, but said it was still the worst economic crisis since the 1930s Great Depression.

On the ratings front, Oman's sovereign rating was cut for the second time in 2020 by S&P Global Ratings as lower crude revenue and the virus pandemic take a heavy toll on the country's finances. S&P took Oman a notch lower to B+, four levels into its non-investment grade scale. The outlook on the rating is stable. Similarly, S&P lowered its long-term foreign and local currency sovereign credit ratings on the Emirate of Ras Al Khaimah to 'A-' from 'A'. At the same time, S&P lowered the short-term rating to 'A-2' from 'A-1' with a stable outlook. While the rating agency also downgraded Emirate of Sharjah's long-term rating to BBB- from BBB, the future outlook changed to stable from negative.

October witnessed a number of corporate issuances. Etihad Airways raised USD600 million through a 5 year sukuk. The sukuk was priced at a profit rate of 2.394% or 200bps above mid-swaps. Moreover, Qatar Islamic Bank sold USD750 million in five-year sukuk and received over USD2.2 billion in orders for the debt sale. QIB sold the bonds at 155bps over mid-swaps. Finally, the Arab National Bank raised USD750 million in 10-year non-callable 5-year subordinated sukuk. The final coupon rate was set at 3.326%.

In sovereign issuances, of which there was only one, the Government of Sharjah raised USD250 million through a tap of its 3.234% 2029 sukuk. The tap was priced at a reoffer yield of 2.75% or 204bps above mid-swaps.



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In the US, House Speaker Nancy Pelosi and the White House traded blame for the latest stall in negotiations on a new coronavirus stimulus as pessimism built at the Capitol that anything could be accomplished before Election Day. Pelosi said the burden is on President Donald Trump to push forward on stimulus talks and get reluctant Republicans to go along with any eventual deal reached with the White House on a nearly USD2 trillion aid package.

The Fund closed the month positioned with an overall weighted average maturity of 2.63 years, and a weighted average yield to maturity (YTM) of 2.54%.

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

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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.

