

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.11.23

NAV PER SHARE

\$9.17

## 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>	8,007,552	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
<b>Launch date</b>	28 February 2008	<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Listing</b>	CISX	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
		<b>BBG code</b>	IIABSUK GU Equity

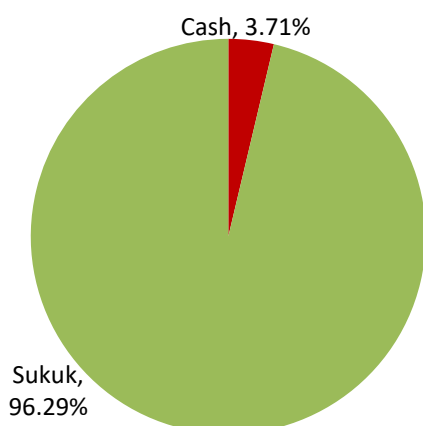
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22	0.18	0.10	-0.52	-0.14	0.13	-0.09	-0.66	-0.95	1.82		0.27
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78	0.38	0.23	-0.96	-0.08	0.65	0.07	-2.53
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

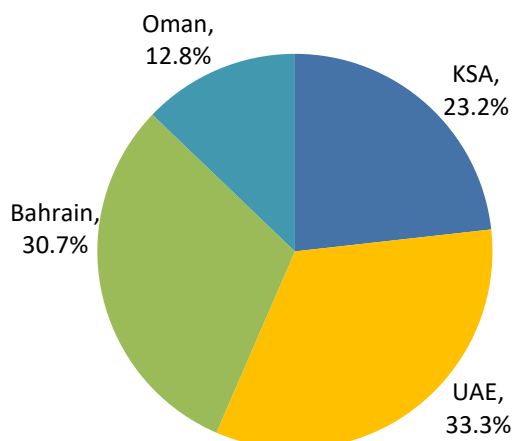
## ASSET ALLOCATION (%)

	Actual
Cash	3.71%
Sukuk	96.29%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

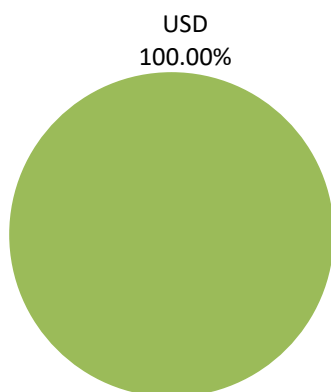


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

CBB International Sukuk Company	9.48%
Oman Sultanate	9.27%
KSA Sukuk LTD	9.10%
Mumtalakat Sukuk	8.67%
DP World Cresnet Limited	6.07%
Arabian Centres	6.03%
CBB International Sukuk Company	5.97%
MAF Sukuk LTD	5.91%
Sharjah Sukuk	5.88%
EMAAR SUKUK LTD	5.66%

## COMMENTARY

MENA Fixed income markets bounced during the month of November as dovish statements from the US Fed officials indicating that we have reached peak interest rates drove fixed-income prices higher, narrowing the yields. The Dow Jones Sukuk Index surged 2.52% (YTD -0.52%), while the S&P MENA Sukuk Index gained 2.76% (YTD 2.88%). The IIAB Sukuk & Murabaha MENA Fund also ended the month on a positive note, going up by 1.82% (YTD 0.27%).

In November's marquee news, the US Federal Reserve held interest rates steady as policymakers struggled to determine whether financial conditions may be tight enough already to control inflation, or whether an economy that continues to outperform expectations may need still more restraint. Fed Chair Jerome Powell said the situation remained something of a riddle, with US central bank officials willing to raise rates again if progress on inflation stalls, wary that a rise in market-based interest rates may begin to weigh on the economy in a significant way, and trying not to disrupt, any more than necessary, an ongoing dynamic of steady job and wage growth.

Moreover, the ratings' agency Moody's has changed the outlook on Government of United States of America's (US) ratings to negative from stable and affirmed the long-term issuer and senior unsecured ratings at Aaa. The key driver of the outlook change to negative is the agency's assessment that the risks to the US' fiscal strength have increased and may no longer be fully offset by the sovereign's unique credit strengths, not to mention the context of higher interest rates, without effective fiscal policy measures to reduce government spending or increase revenue.

In regional news, Egypt's central bank kept interest rates unchanged, likely saving its next bout of monetary tightening for another currency devaluation that's widely expected to follow December's presidential elections. The Monetary Policy Committee maintained its deposit rate at 19.25% and the lending rate at 20.25%.

Moreover, Saudi Arabia posted a budget deficit in the third quarter that was almost seven times larger than the previous three months, as both oil and non-oil income in the world's biggest crude exporter declined. The government's shortfall came in at 35.8 billion riyals (\$9.5 billion) in the three months ended in September, according to a budget report from the Ministry of Finance. An 8% decline in expenditure was outpaced by an almost 18% decrease in revenue, largely due to lower receipts from oil and taxes.

In issuance news for the month of November, Qatar Islamic Bank (QIB), the largest Islamic bank in Qatar, has mandated several banks to issue a USD-denominated, fixed rate, 5-year, benchmark, Regulation S, senior, unsecured, 100% Wakala based Sukuk offering under QIB's USD 5bn Trust Certificate Issuance Program. Furthermore, Abu Dhabi Islamic Bank (ADIB) has raised USD500 million through a 5-year debut Green sukuk at UST + 115 bps. Finally, Islamic Development Bank has released IPT for a 5-year Euro denominated sukuk at EUR MS + 33 bps area.

In rating updates, Egypt's credit score was lowered by Fitch Ratings deeper into junk territory, a decision that follows downgrades to a similar level from its peers as the cash-strapped country wrestles with its worst economic crisis in decades.



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This year's second downgrade by Fitch lowered Egypt's rating by one step to B-, putting it six levels above default and on par with Nigeria and Bolivia. The outlook is stable.

The Fund was 97.15% invested at the end of November, with an estimated average yield to maturity of 2.30% and an estimated average maturity of 3.18 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

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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.

