

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.12.22

NAV PER SHARE

\$9.15

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	7,986,207	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

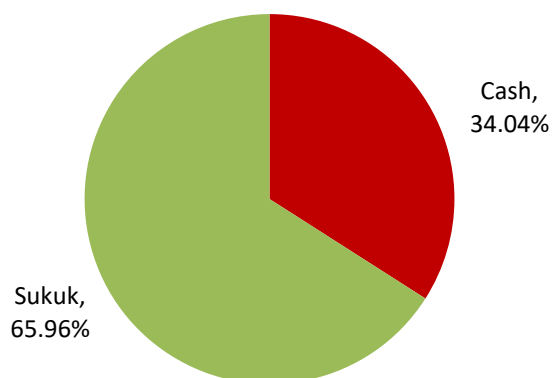
MONTHLY PERFORMANCE (%)

	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	0.38	0.23	-0.96	-0.08	0.65	0.07	-2.53
Benchmark	0.02	0.03	0.04	0.08	0.11	0.13	0.19	0.23	0.26	0.31	0.37	0.40	2.20
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

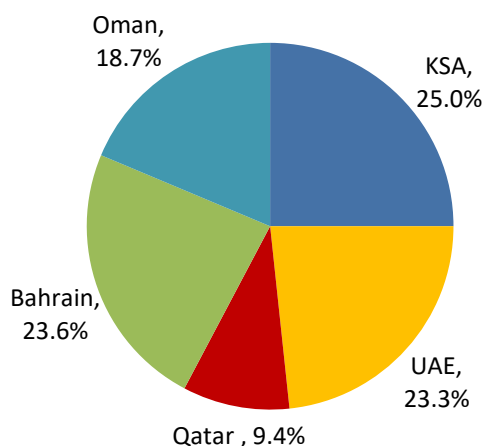
ASSET ALLOCATION (%)

	Actual
Cash	34.04%
Sukuk	65.96%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

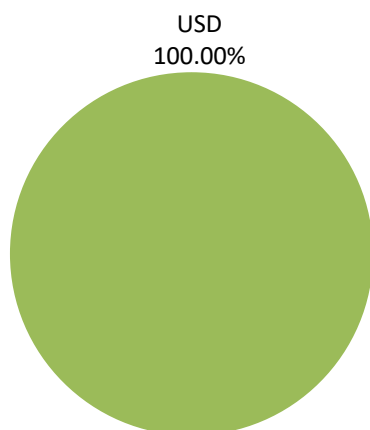


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.65%
OMAN SULTANATE	9.20%
State of Qatar Sukuk	6.24%
Dubai Islamic Bank Sukuk	6.24%
First Abu Dhabi Bank Sukuk	6.23%
Saudi Electric Co. Sukuk	6.08%
CBB International Sukuk Company	5.98%
Arabian Centres	5.95%
KSA Sukuk Limited	4.53%
Oman Sovereign Sukuk	3.17%

COMMENTARY

MENA Fixed income indices continued their upward trajectory for the second straight month to end the year as investors expect the deceleration of interest rate hikes and lower gear inflation in the year ahead. The Dow Jones Sukuk Index rose 0.44% (YTD -10.83%), while the S&P MENA Sukuk Index gained 0.87% (YTD -7.18%) by the end of the year. The IIAB Sukuk & Murabaha MENA Fund also ended the month on a positive note, going up by 0.07% (YTD -2.53%).

December's headlining news was the US economic growth in the third quarter being firmer than previously estimated, reflecting upward revisions to consumer spending and business investment. Inflation-adjusted gross domestic product, or the total value of all goods and services produced in the economy, increased at a 3.2% annualized rate during the period, Commerce Department data showed. That compares with a previously reported 2.9% advance.

This came after the Federal Reserve raised its benchmark policy rate by half a percentage point and signaled its intention to keep squeezing the US economy next year, as central banks on both sides of the Atlantic enter a new phase in the battle against inflation. At its final gathering of the year, the Federal Open Market Committee voted unanimously to increase the federal funds rate to a target range of 4.25% to 4.5%.

In MENA news, Egypt hiked interest rates by 300 basis points, the most since 2016, seeking to tackle surging inflation amid expectations of a further devaluation of the pound. The Monetary Policy Committee raised the deposit rate to 16.25% and the lending rate to 17.25%. The jumbo hike comes as Egypt faces its worst foreign-exchange crunch in half a decade and the fastest acceleration in inflation in almost five years. Authorities in the Middle East's most populous country have devalued the local currency twice in 2022, most recently at the end of October, enacting sharp rate rises in both instances.

Furthermore, the IMF removed from its agenda an Executive Board meeting on a new \$1.9 billion (4.1% of GDP) program for Tunisia (Caa1 review for downgrade) that was scheduled for 19 December. Because of Tunisia's increasingly elevated government liquidity risks and fragile external position, the delay in reaching final approval on a new IMF program risks aggravating an already challenging funding position and eroding foreign exchange reserves.

In Oil news, OPEC+ responded to surging volatility and growing market uncertainty by keeping oil production unchanged. The outcome of the brief online meeting reflected the unpredictability of supply and demand in the coming months, and the wild price gyrations in the recent past. The oil producers' group has only just implemented the hefty 2 million barrel-a-day reduction agreed at its last gathering. Meanwhile, European Union sanctions on crude exports from Russia have come into effect.

In rating updates, Bahrain's long-term foreign currency debt rating was affirmed by Fitch at B+. Long-Term Issuer Default Rating was affirmed by Fitch at B+. Long-Term Local Currency Issuer Default Rating was affirmed by Fitch at B+. Long-Term Local Currency Debt Rating was affirmed by Fitch at B+. Outlook remains stable.



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In issuance news, Equitativa, the manager of Emirates REIT, completed issuance of \$380m sukuk to refinance \$400m sukuk issued in 2017. The sukuk includes a fully secured position and a profit rate increase to 9.5% from 5.125%. Maturity date of the sukuk is Dec. 2024, with a one-year extension option. More than 88% of the certificate holders participated in the consent solicitation, with more than 99% voting in favor of the proposed refinancing.

The Fund was 67.57% invested at the end of December, with an average yield to maturity of 0.66% and an average maturity of 1.12 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.

