

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.01.18

NAV PER SHARE **\$8.64**

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, murabahas 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	USD 7,543,534	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

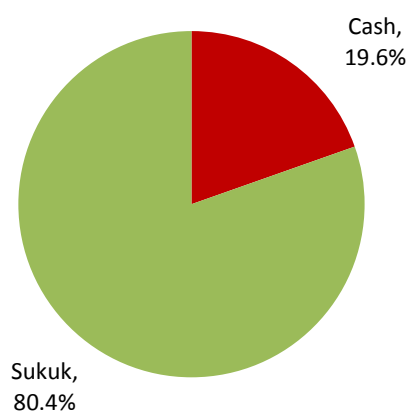
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2018	-0.23												-0.23
Benchmark	0.14												0.14
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
2014	0.12	0.29	-0.10	0.19	0.27	-0.17	0.12	0.21	-0.44	-0.21	0.27	-1.05	-0.51
2013	-0.15	-0.01	-0.08	0.45	-0.26	-1.03	-0.17	0.33	0.13	0.34	0.10	-0.10	-0.45

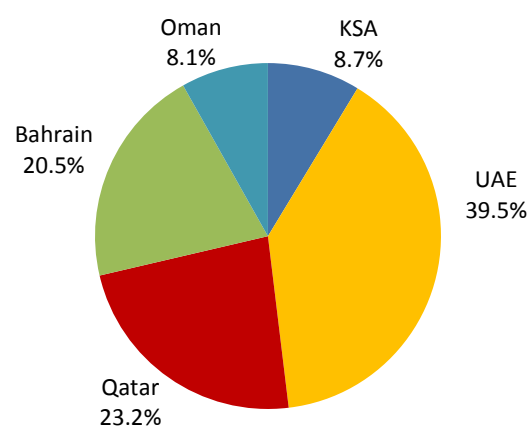
ASSET ALLOCATION (%)

	Actual
Cash	19.6%
Sukuk	80.4%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

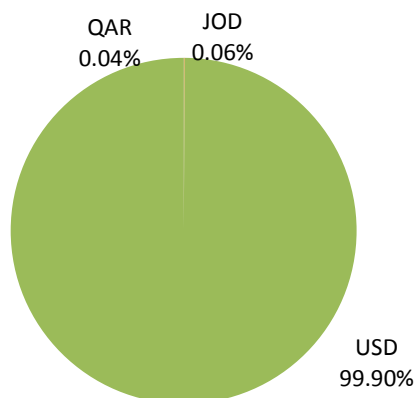


IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.01.18

CURRENCY ALLOCATION



TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	10.29%
CBB International Sukuk Company	10.14%
Alpha Star Holding Limited (Damac Properties)	6.67%
Ooredoo Tamweel LTD	6.65%
Qatar Islamic Bank Sukuk	6.46%
Mumtalakat Sukuk Holding Company	6.40%
Ezdan Sukuk Company LTD	5.64%
Saudi Electric Co. Sukuk	3.44%
ADIB CAPITAL INVEST 1 LTD	3.37%
RAK Capital Sukuk	3.33%

COMMENTARY

MENA Sukuk markets witnessed a rough start to the year. The S&P MENA Sukuk Index fell by 0.24%, additionally the global Dow Jones Sukuk Index dropped 0.70%. The IIAB Sukuk & Murabaha MENA Fund, in turn, fell by 0.23%.

In issuance news, the Saudi Arabian government sold SAR5.85 billion (USD1.56 billion) in its fifth monthly offer of domestic Sukuk. The issue comprised of SAR4.12 billion in five-year Sukuk, SAR225 million in seven-year Sukuk, and SAR1.5 billion in 10-year Sukuk. Furthermore, Riyadh REIT is in the process of setting up a Sukuk program with a target size of SAR1 billion (USD266.6 million), which, when implemented, will become the first Saudi REIT to tap the Sukuk market. The program intends to diversify financing sources and maturity profiles in order to support the REIT's portfolio expansion plans.

Earlier this month, Dubai Islamic Bank's CEO said during a conference call that the bank was looking to raise capital in 2018, including a rights issue and an Islamic bond. DIB announced that it had successfully priced a five-year USD1 billion Sukuk. The issuance, which is part of the bank's USD5 billion Sukuk program, is the first USD benchmark Sukuk from the GCC in 2018. The Reg S paper carries a profit rate of 3.625% (115bps above mid swaps), which came in at the tightest end of price guidance, indicating strong demand. The issuance was twice oversubscribed and is dual listed on the Irish Stock Exchange and Nasdaq Dubai.

Over in Bahrain, the Central Bank's issue of the long-term Islamic leasing, three-year Sukuk Ijarah, was subscribed by 194%. An order book of BHD194 million was received for the BHD100 million (USD 265.3 million) issue. The Central Bank of Bahrain's issue of BHD43 million (USD113.5 million) Sukuk Salam was fully subscribed.

Meanwhile in Kuwait, the Central Bank floated short-term conventional and Islamic capital market instruments with a total value of KWD240 million (USD795.1 million). Moreover, the National Assembly's finance and economic committee approved a draft law that will allow the government to raise up to KWD25 billion (USD83 billion) with a borrowing period of 30 years from local and international financial markets, up from KWD10 billion.

S&P Global Ratings revealed that its outlook for global Sukuk issuance in 2018 is uncertain, despite the 45.3% increase in issuance in 2017. However, Moody's Investors Service maintained a negative outlook for the GCC's sovereign ratings in 2018. The negative outlook acknowledges the GCC's stifled economic growth and the structural challenges it faces, in addition to geopolitical disputes in the region. Moody's forecasts a slight pick-up in the GCC's GDP growth to 2% this year.

IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.01.18

A protected cell of the IIAB PCC Ltd

More in ratings, S&P Global Ratings affirmed Abu Dhabi's AA/A-1+ sovereign credit rating. S&P said the government's large net asset position should enable it to withstand the effects of commodity market volatility. This stable outlook on the emirate is based on the expectation that economic growth will gradually increase despite persistent structural and institutional weaknesses. In addition, Sharjah's BBB+/A-2 credit rating was affirmed as S&P expects the emirate's budget deficit to fall in the next two years. Finally, Ras Al-Khaima's A/A-1 credit rating was affirmed. The stable outlook reflects S&P's view that RAK's economy will steadily improve over the period to 2021, as it will be supported by recovering domestic demand regionally.

We have had some maturities in the portfolio, and are in the process of gradually reallocating cash, taking into consideration geographic diversity. In addition, we are maintaining a conservative approach to the Fund's asset allocation, with a below average duration bias, given the rising volatility in the yield curve's shape, curvature and upward pressures, not to mention the persisting regional geopolitical risks. The Fund closed the month positioned with an overall weighted average maturity of 3.35 years, and a weighted average yield to maturity (YTM) of 3.34%

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.

This fact sheet is issued by AB Fund Managers (Guernsey) Ltd. IIAB Sukuk & Murabaha MENA Fund is a Cell of IIAB PCC Ltd, AB Fund Managers (Guernsey) Ltd and IIAB PCC Ltd are licensed and regulated by the Guernsey Financial Services Commission. AB Fund Managers (Guernsey) Ltd is a wholly-owned subsidiary of the Arab Bank Group which is headquartered in Amman, Hashemite Kingdom of Jordan.

This Fact Sheet is not an invitation to make an investment, nor does it constitute an offer for sale. In addition, it does not constitute as an advertisement in a country where the Fund is not registered for sale.

For the purposes of FSA regulation, the fund is defined as an "Unregulated Collective Investment Scheme" and the promotion of such schemes either within the UK or from the UK is severely restricted by statute. Consequently, this report is only made available to Professional Clients and Eligible Counterparties as defined by the Financial Services Authority and to persons falling within the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. The fund is only offered on the basis of the Offering Memorandum and any supplements thereto.

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.

