

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.01.23

NAV PER SHARE

\$9.20

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 | 8,036,628 | 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 |

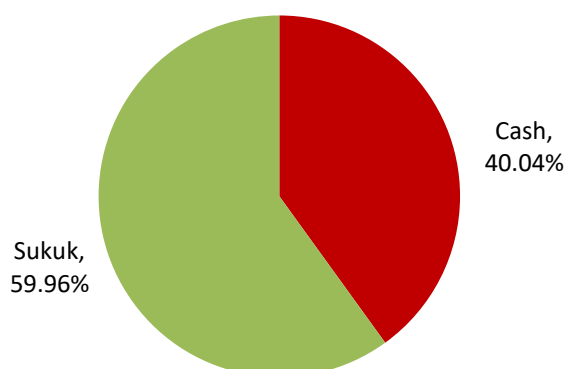
MONTHLY PERFORMANCE (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Y.T.D. |
|-----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|--------|
| 2023 | 0.64 | | | | | | | | | | | | 0.64 |
| Benchmark | 0.40 | | | | | | | | | | | | 0.40 |
| 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 |

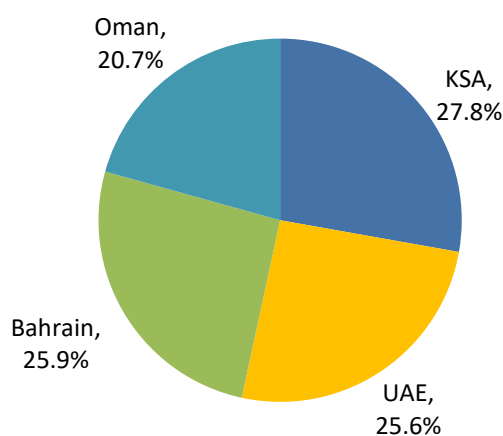
ASSET ALLOCATION (%)

| | Actual |
|-------|--------|
| Cash | 40.04% |
| Sukuk | 59.96% |

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

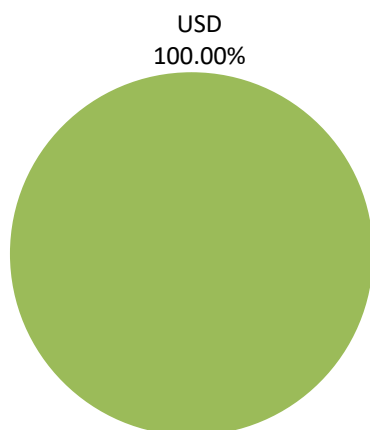


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

| | |
|---------------------------------|-------|
| CBB International Sukuk Company | 9.63% |
| Oman Sultanate | 9.25% |
| First Abu Dhabi Bank Sukuk | 6.21% |
| Dubai Islamic Bank Sukuk | 6.20% |
| Arabian Centres | 6.08% |
| Saudi Electric Co. Sukuk | 6.05% |
| CBB International Sukuk Company | 5.98% |
| KSA Sukuk Limited | 4.59% |
| Oman Sovereign Sukuk | 3.20% |
| Emaar Sukuk | 2.99% |

COMMENTARY

Fixed-income indices have recovered markedly as markets anticipate the peak of the interest rate cycle hike, and as inflation numbers downwards. During January, the Dow Jones Sukuk Index was up by 1.31% while the S&P MENA Sukuk Index posted a gain of 1.62%. The IIAB Sukuk & Murabaha MENA Fund has followed suit, gaining 0.63% to end the month.

S&P Global Ratings believes that global sukuk issuance volumes will continue declining this year to total about USD150 billion compared with USD155.8 billion in 2022 and USD170.4 billion in 2021, according to a new report. "We expect lower and more expensive global liquidity, increased complexity, and reduced financing needs for issuers in some core Islamic finance countries to deter the market," said S&P Global Ratings.

In other news, US inflation continued to slow in December, adding to evidence price pressures have peaked and putting the Federal Reserve on track to again slow the pace of interest-rate hikes. The overall consumer price index fell 0.1% from the prior month, with cheaper energy costs fueling the first decline in 2 1/2 years, according to a Labor Department report. The measure was up 6.5% from a year earlier, the lowest since October 2021. Excluding food and energy, the so-called core CPI rose 0.3% in December and was up 5.7% from a year earlier, the slowest pace since December 2021.

In regional news, the Egyptian pound plunged to a record low as authorities navigate the country's worst foreign-exchange crunch in half a decade. The currency headed for its biggest slump since a devaluation in October with a slide of as much as 7% to about 26.5 per dollar in the offshore market, before trimming some losses. However, Egypt saw more than USD925 million in foreign-exchange inflows since January 11, the central bank said, spotlighting what it called a series of "positive indicators" in the wake of the North African nation's third devaluation in a year. Interbank trading activity was more than 20 times the recent daily average, the central bank said.

In the GCC, the World Bank has revised upward the UAE's growth forecast for 2022 and 2023 by 1.2% and 0.7%, respectively, from its previous forecast. According to the World Bank's latest Global Economic Prospects report, the UAE GDP is estimated to expand by 5.9% in 2022 and 4.1% this year on the back of the expansion of the non-oil sector. Data showed all the Gulf Cooperation Council (GCC) economies to see slower growth, with UAE being the fastest-growing economy in the Gulf region in 2023. Furthermore, Oman's approved 2023 budget will likely lead to another fiscal surplus, albeit smaller than in 2022, if oil prices remain elevated, averaging USD90-95/barrel in 2023, Moody's Investors Service said in a report.

In Issuance news, Saudi Arabia raised USD10 billion through its first Eurobond sale of 2023. The kingdom had garnered over USD35 billion of investor orders for the notes maturing in 5, 10.5 and 30 years as it seeks to take advantage of cooling inflation that's raised hopes of an easier rate hike trajectory. The deal priced with the notes to yield 110 and 140 basis points over Treasuries and 5.5%, respectively.



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In ratings' updates, Tunisia was downgraded further into junk by Moody's Investors Service as the North African nation struggles to secure the financing needed to stave off a default. The government's credit score was slashed to Caa2 from Caa1 on Friday by Moody's, which cited concern about access to financing as a finalized funding program with the International Monetary Fund remains elusive. Moreover, Egypt's long-term foreign currency debt rating was affirmed by S&P at B. Long-Term Local Currency Debt Rating was affirmed by S&P at B. Outlook remains stable. Finally, Fitch affirmed Kuwait's long-term foreign-currency issuer default rating at 'AA-' with a stable outlook, according to a statement. It said Kuwait's key credit strengths are its exceptionally strong fiscal and external balance sheets.

The Fund was 63.83% invested at the end of the month positioned with an average yield to maturity of 0.01% and an average maturity of 1.01 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.

