

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.05.18

NAV PER SHARE **\$8.51**

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 7,425,868	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

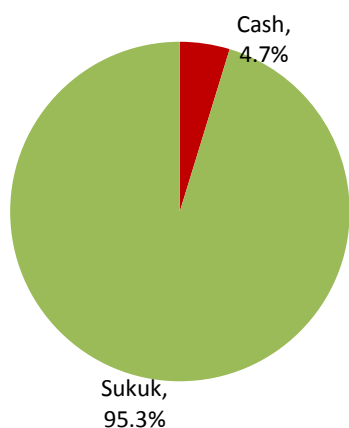
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2018	-0.23	-0.68	-0.30	-0.20	-0.40								-1.78
Benchmark	0.14	0.15	0.17	0.19	0.20								0.85
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

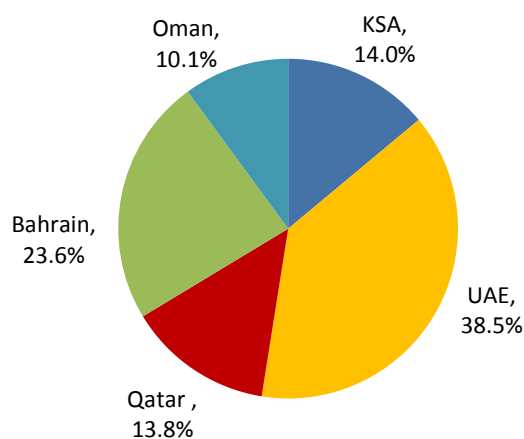
ASSET ALLOCATION (%)

	Actual
Cash	4.7%
Sukuk	95.3%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

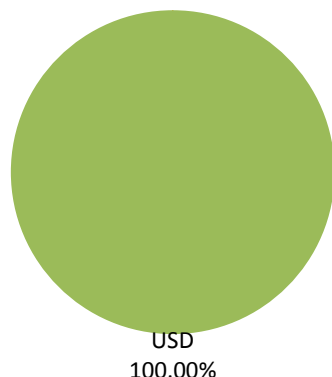


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International	10.11%
EMG Sukuk LTD	9.97%
Ooredoo Tamweel	6.70%
QIB Sukuk	6.49%
DIB Sukuk 3.625%	6.47%
OMAN SULTANATE 3.5%	6.42%
Saudi Electric Co. Sukuk 3.473%	6.41%
Mumtalakat Sukuk	6.27%
CBB 5.624%	6.09%
DIB Sukuk 2.921%	5.40%

COMMENTARY

Contrary to the decline in MENA equity markets during the month of May, MENA Sukuk markets moved up by 0.29% (YTD -1.33%). The IIAB Sukuk & Murabaha MENA Fund shed 0.40% (YTD -1.78%) to close at USD8.51.

A report by Fitch Ratings estimated that long-term Sukuk issuances from key Islamic markets in the first quarter of 2018 were up by 1% year-on-year.

In continued effort to diversify its sources funding and plug its fiscal shortfall, Saudi Arabia's Ministry of Finance sold SAR3.95 billion (USD1.05 billion)-worth of Sukuk. The Kingdom tapped its April Sukuk issue, originally worth SAR5 billion to bring the total amount to SAR8.95 billion. The latest transaction was divided into three tranches, the first with a value of SAR3.35 billion and maturing in 2023, the second worth SAR350 million and maturing in 2025, and the third worth SAR250 million maturing in 2028.

In Kuwait, Kuwait Finance House (KFH), an Islamic bank, launched a USD3 billion Sukuk programme. According to the Sukuk prospectus, certificates will be issued via a special purpose vehicle incorporated in Dubai International Financial Centre. The certificates have received a provisional '(P) A1' senior unsecured long-term rating by Moody's.

Following a prolonged high-profile legal case, Sharjah energy producer Dana Gas finally struck a deal with holders of its defaulted USD700 million Sukuk. The company entered into a binding lock-up and standstill agreement with the "Ad Hoc Committee" (AHC) of Sukukholders, offering to tender their claims at 90.5 US cents per USD1 of the face value of their holdings. The company has also proposed a new three-year Sukuk Wakalah facility carrying a 4% profit rate for holders willing to receive a partial paydown. The proposed instrument has been legally verified to be lawful without question, according to the CEO of Dana Gas.

In terms of credit ratings, Egypt's sovereign rating was upgraded one notch by S&P Global Ratings due to "strengthening economic growth and rising foreign exchange reserves". The country's long-term issuer rating was raised to B (five levels below investment grade) from B- with a stable outlook.

In other ratings news, Fitch affirmed Kuwait's long-term foreign currency issuer default rating (IDR) at 'AA' with a stable outlook. Its key strengths are its strong fiscal and external position, and one of the lowest fiscal breakeven Brent oil prices among Fitch-rated oil producers - USD56. However, the country's fiscal strength is challenged by a heavy dependence on oil, geopolitical risk, a weak business environment, and a generous welfare state. Oman's credit rating was also affirmed by S&P at 'BB/B' with a stable outlook. The outlook expresses the rating agency's expectation that the economy's performance will improve with stable oil production and growth in the non-oil economy, balanced out by deteriorating external buffers.

At the same time, S&P affirmed Bahrain's long and short term foreign and local currency sovereign credit rating at 'B+/B'. The outlook remains stable to reflect the central bank's ability to meet a surge in demand for foreign currency over the next 12 months in addition to potential financial support from neighboring sovereigns in a time of mounting government debt.

The Fund closed the month positioned with an overall weighted average maturity of 4.09 years, and a weighted average yield to maturity (YTM) of 4.53%.

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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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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.

