

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.05.22

## NAV PER SHARE

\$9.19

## 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>	8,024,,840	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
		<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Launch date</b>	28 February 2008	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	IIABSUK GU Equity

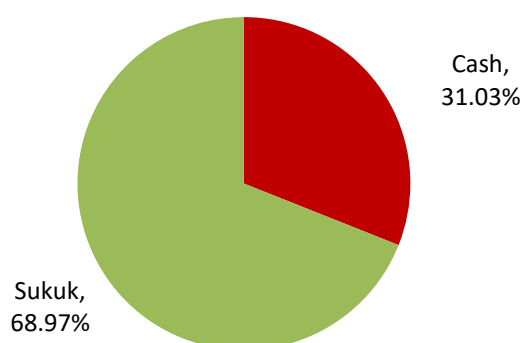
## MONTHLY PERFORMANCE (%)

	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								-2.06
Benchmark	0.02	0.03	0.04	0.08	0.13								0.30
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

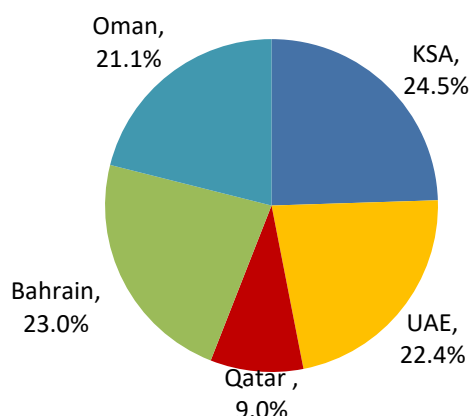
## ASSET ALLOCATION (%)

	Actual
Cash	31.03%
Sukuk	68.97%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

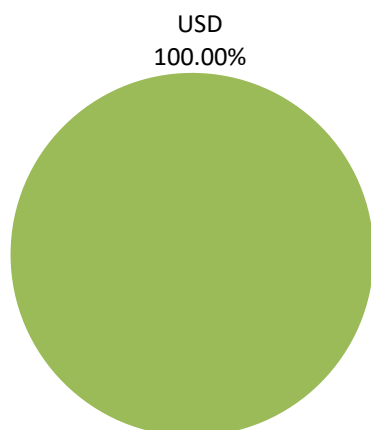


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

CBB International Sukuk Company	9.86%
OMAN SULTANATE	9.31%
First Abu Dhabi Bank Sukuk	6.26%
State of Qatar Sukuk	6.26%
Dubai Islamic Bank Sukuk	6.26%
Saudi Electric Co. Sukuk	6.13%
CBB International Sukuk Company	6.06%
Arabian Centres	6.02%
KSA Sukuk Limited	4.82%
Oman Sovereign Sukuk	3.23%

## COMMENTARY

Fixed income asset prices were largely flat during the month of May, after the Fed rate hike was largely priced in in the prior month. The Dow Jones Sukuk Index was down by 0.31% (YTD -7.59%) while the S&P MENA Sukuk Index gained 0.07% (YTD 5.70%). The IIAB Sukuk & Murabaha MENA Fund was also marginally down, falling slightly by 0.05% (YTD -2.06%).

During May, Federal Reserve officials agreed at their gathering that they need to raise interest rates in half-point steps at their next two meetings, continuing an aggressive set of moves that would leave them with flexibility to shift gears later if needed. While highlighting the strong commitment and determination of all policy makers to restore price stability, the minutes of the May 3-4 meeting showed officials attentive to financial conditions as they prepare to raise rates further. This came after the Federal Reserve raised its benchmark overnight interest rate by half a percentage point, the biggest jump in 22 years, and the US central bank's chief made an appeal to Americans struggling with high inflation to be patient while officials take the hard measures to bring it under control. In a widely expected move, the Fed set its target federal funds rate to a range between 0.75% and 1% in a unanimous decision.

In MENA, the president of the United Arab Emirates Sheikh Khalifa Bin Zayed Al Nahyan has passed away and his younger brother Sheikh Mohammed Bin Zayed has succeeded him at the helm of OPEC's third biggest oil producer. Sheikh Khalifa, who steered the Arab country through the global financial crisis and oversaw its rapid economic transformation, had been in office since 2004. He was 73. Sheikh Khalifa was also ruler of Abu Dhabi, the largest and wealthiest of the seven sheikhdoms that comprise the UAE.

In ratings news, Emaar Properties PJSC and Emaar Malls Management LLC have been upgraded to BBB- Outlook Stable by S&P Global after record property sales in 2021. The ratings agency said leverage metrics improved faster than expected in 2021 and will likely continue in 2022-2023 because the group is using excess cash to repay its debt. S&P highlighted Emaar Properties sales of AED27.4 billion (USD7.5 billion) amid rebounding demand for residential real estate. Furthermore, Ras Al Khaimah's credit rating has been affirmed at 'A' with an outlook upwardly revised from 'Stable' to 'Positive', according to international credit rating agency Fitch. US-based Fitch Ratings, which stated that the revision to positive reflected the expectation of continued budget surplus, combined with RAK's record of prudent fiscal management and public finances' resilience during the COVID-19 pandemic.

In energy news, Saudi Arabia's foreign minister said there's nothing more the kingdom can do to tame oil markets, implying that the world's biggest crude exporter has no plan to accelerate its gradual production increase. Saudi Arabia and neighboring United Arab Emirates have said that fuel prices have jumped so much because of a lack of investment in refineries across the world in the past several years. Pumping more crude would do little to help the market because refineries are largely at full capacity, they've argued.



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In issuance news, Arada Developments LLC raised USD 350 million from sale of a 5-year USD sukuk issue. The final return was set at 8.125%. ARADA, Sharjah's largest developer and the Emirate's only master developer, is jointly owned by Basma Group, which is owned by HH Sheikh Sultan bin Ahmed Al Qasimi, the Deputy Ruler of Sharjah; and Corp KBW Investments, which is owned by HRH Prince Khaled bin Alwaleed bin Talal Al Saud. Moody's Investors Service has assigned a B1 corporate family rating to Sharjah-based property developer Arada Developments, reflecting the company's unique market position in the emirate.

The proposed benchmark-sized sukuk certificates to be issued by Arada Sukuk Limited, a special purpose vehicle established by Arada, also received a B1 instrument rating.

The Fund was 71.07% invested at the end of the month of May. It was positioned with an average yield to maturity of 1.30% and an average maturity of 1.45 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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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.

