

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.05.23

NAV PER SHARE

\$9.17

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	7,999,868	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

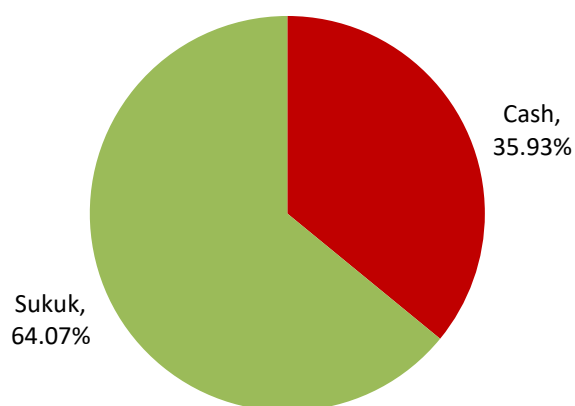
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2023	0.64	-0.22	0.18	0.10	-0.52								0.17
Benchmark	0.40	0.40	0.41	0.43	0.44								2.10
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

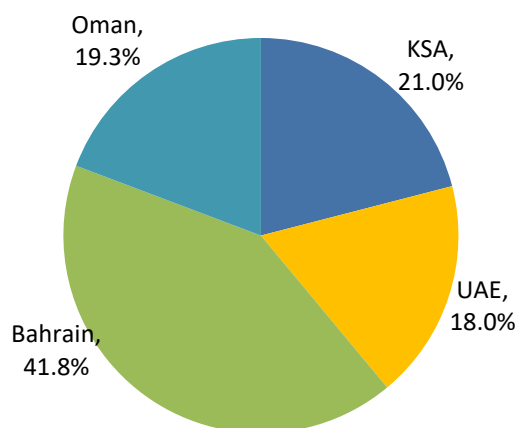
ASSET ALLOCATION (%)

	Actual
Cash	35.93%
Sukuk	64.07%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

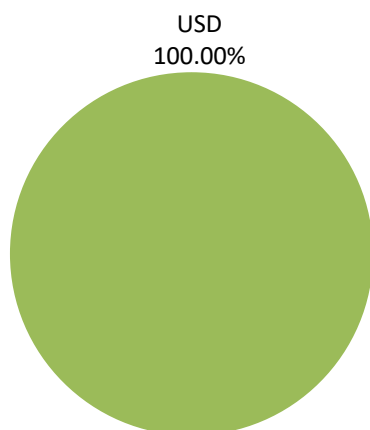


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.54%
Oman Sultanate	9.22%
Arabian Centres	6.02%
CBB International Sukuk Company	5.94%
Mumtalakat Sukuk	5.86%
Dubai Islamic Bank Sukuk	5.63%
CBB International Sukuk Company	5.56%
KSA Sukuk Limited	4.55%
Oman Sovereign Sukuk	3.18%
Emaar Sukuk	2.98%

COMMENTARY

Fixed income asset prices were predominantly down during the month of May as fears grew that stubborn inflation levels will force the US Fed to continue to raise interest rates instead of pausing them. The Dow Jones Sukuk Index was down by 0.72% (YTD 1.01%), while the S&P MENA Sukuk Index shed 0.36% (YTD 2.41%). The IIAB Sukuk & Murabaha MENA Fund was also down, falling by 0.52% (YTD 0.17%).

During May, a debt-limit deal struck by President Joe Biden and Speaker Kevin McCarthy was heading toward a vote in the House of Representatives after clearing a crucial procedural hurdle with just days remaining to avoid a US default. The House Rules Committee advanced legislation to suspend the US borrowing ceiling and cap federal spending. The bill would set the course for federal spending for the next two years and suspend the debt ceiling until Jan. 1, 2025 — postponing another clash over borrowing until after the presidential election.

Also during the month, the US Federal Reserve raised interest rates by a quarter-percentage point and hinted it may be the final move in the most aggressive tightening campaign since the 1980s as economic risks mount.

In MENA, S&P expects Dubai's government debt burden to decline as a share of GDP amid robust economic growth, the rating agency said. The agency forecasts a reduction in government debt to about 51% of GDP in 2023 from a cyclical high of 78% in 2020. S&P's sees debt declining even faster if reduction in nominal debt continues and expects broader public sector debt to remain high at about 100% of GDP.

In other news, Egypt's annual urban consumer inflation in April slowed to 30.6% from 32.7% in March, data from the state statistics agency CAPMAS showed, lower than analysts had expected. Month-on-month, urban inflation slowed to 1.7% from 2.7% in March and 6.5% in February. Inflation had steadily crept up over the last year after a series of currency devaluations starting in March 2022, a prolonged shortage of foreign currency and continuing delays in getting imports into the country.

Finally, the International Monetary Fund signaled it was close to completing a financial arrangement that should allow Tunisia to secure a USD1.9 billion rescue package. Though Tunisia reached a staff-level agreement with the IMF in October, the deal is yet to be reviewed for approval by the fund's directors. A breakthrough hinges on additional support from Tunisia's allies and the implementation of measures by the government that are required to access funds.

In ratings news, Moody's Investors Service (Moody's) has upgraded the Government of Oman's issuer and long-term senior unsecured ratings to Ba2 from Ba3 and maintained the positive outlook. Moody's has also upgraded the Government of Oman's senior unsecured medium-term note program rating to (P)Ba2 from (P) Ba3. The upgrade reflects the improvements in Oman's debt burden and debt affordability metrics during 2022, mainly because of the large oil and gas revenue windfall, which increase the sovereign's resilience to potential future shocks.

Furthermore, Moody's has also placed the Government of Egypt's B3 long-term foreign-currency and local-currency issuer ratings on review for downgrade. Prior to this rating action, Egypt's ratings were B3 and the outlook was stable. Moody's has also placed on review for downgrade Egypt's B3 foreign currency senior unsecured ratings and its (P)B3 foreign currency senior unsecured MTN program rating, as well as the (P)B3 senior unsecured MTN program rating of the Egyptian Financial Corporation for Sovereign Taskeek sukuk company, and its B3 senior unsecured rating.



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In issuance news, Majid Al Futaim Group has raised USD500 million through a 10 year Green sukuk issue at US Treasury plus 140 bps. The reoffer yield is 5.126%. Banque Saudi Fransi has also raised USD900 million through a 5 year sukuk issue at US Treasury plus 105 bps. The reoffer yield is 4.824%. Moreover, Aldar Investment Properties raised USD500 million through a 10 year Green sukuk. The reoffer yield was 5.038% and final profit rate was 4.875%. Finally, Saudi Arabia, rated A1/A+, raised USD6 billion through a dual tranche sukuk, with 6-year tranche priced at 4.27% and 10-year tranche priced at 4.511%.

The Fund was 65.50% invested at the end of the month of May. It was positioned with an average yield to maturity of 2.14% and an average maturity of 1.91 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.

