

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.07.18

NAV PER SHARE

\$8.57

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 7,483,803	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

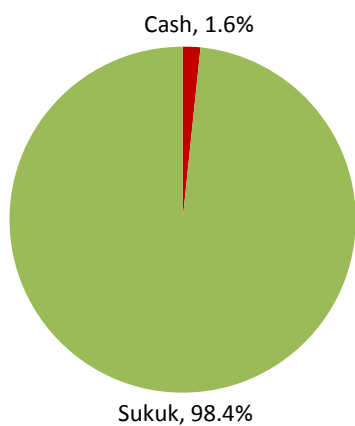
MONTHLY PERFORMANCE (%)

	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	0.09	0.69						-1.02
Benchmark	0.14	0.15	0.17	0.19	0.20	0.19	0.19						1.24
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

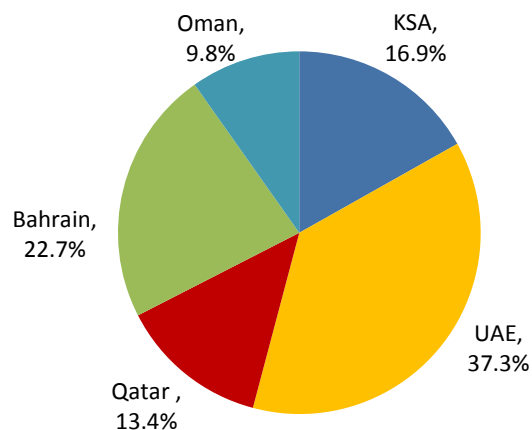
ASSET ALLOCATION (%)

	Actual
Cash	1.60%
Sukuk	98.4%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

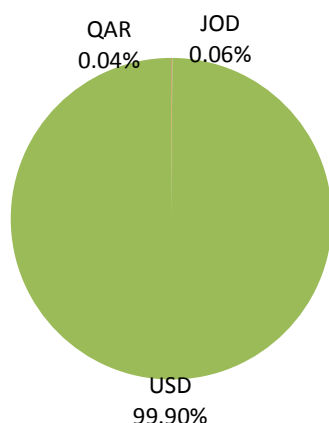


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	10.06%
CBB International Sukuk Company	10.04%
Ooredoo Tamweel LTD	6.68%
Dubai Islamic Bank Sukuk	6.49%
Kingdom of Saudi Arabia	6.49%
Qatar Islamic Bank Sukuk	6.48%
Saudi Electric Co. Sukuk	6.47%
OMAN SULTANATE 3.5%	6.43%
Mumtalakat Sukuk Holding	6.19%
CBB International Sukuk Company	6.18%

COMMENTARY

MENA Sukuk markets improved during this past month. The S&P MENA Sukuk Index gained 0.72% (YTD -0.32%) and the Dow Jones Sukuk Index rose by 0.47% (YTD -2.75%). The IIAB Sukuk & Murabaha MENA Fund went up by 0.69% (YTD -1.02%).

According to a report by S&P Global Ratings, the current geopolitical risks and the aftermath of the Dana Gas Sukuk account have dampened investor appetite and may contribute to a decline in Sukuk issuances by Arabian Gulf companies. Issuance volumes may pale in comparison with 2017. A main contributing factor to the decline is that international investors' perception of risk in the GCC is increasing due to geopolitics and U.S. sanctions on Iran. Furthermore, increasing global trade tensions are not supportive of emerging capital markets, including those in the GCC. On top of all that, many GCC corporate issuers have scaled back on investments, which has led to diminished funding needs. Not to mention the new VAT regulations imposed by the governments (in conjunction with energy subsidy reforms), placing thereby, further pressures and uncertainty on some sectors.

In July issuances, the Central Bank of Kuwait sold a total of KWD920 million (USD3.03 billion) of conventional bonds and Tawarruq facilities through four issues. Profit rates ranged between 2.5% and 2.65%. At the same time, the Central Bank of Bahrain's monthly issuance of Sukuk Salam received full subscription. The CBB also listed two Sukuk Ijarah during the month. In addition, the International Islamic Liquidity Management Corporation sold USD500 million-worth of three-month Sukuk. The issue was oversubscribed.

Plans for Sukuk in the region include Abu Dhabi Islamic Bank's proposed USD750 million Sukuk to come sometime in the third quarter. Subject to shareholder approval, the issue will be accompanied by a capital increase through an AED1 billion (USD272.27 million) rights issue.

Over in Bahrain, financial support from the GCC may ease near-term funding. However, more sustainable improvement will depend on the scale and nature of the support in addition to Bahrain's ability to implement fiscal reform. The Gulf bailout remains elusive, as four weeks have passed without any sign that aid is on the way, allowing the bond rally to fizzle out. Saudi Arabia, Kuwait, and the UAE said they were waiting for Bahrain to submit its proposal for economic reforms before providing any money. The country's 'BB-/Stable' sovereign rating already incorporates existing and expected GCC support.

Rating agency Moody's upgraded Qatar's long-term issuer ratings from negative to stable. The change is based on Moody's assessment that Qatar can withstand the current economic and political boycott for an extended period without material deterioration of its credit profile. The agency also affirmed the country's long-term issuer and foreign-currency senior unsecured debt ratings at Aa3 as the government continues to boast a large net asset position, exceptionally high levels of income per capita, very large hydrocarbon reserves, and relatively low fiscal and external breakeven oil prices.

S&P Global Ratings also affirmed Kuwait's long- and short-term foreign and local currency sovereign credit ratings at 'AA/A-1+' with a stable outlook. According to the agency, the stable outlook is attributed to its strong public and external balance sheets, which is expected to remain strong over the next two years, and a significant stock of financial assets. The strengths should offset any risks arising from volatile oil prices, Kuwait's undiversified economy, and rising geopolitical tensions in the region.

The Fund closed the month positioned with an overall weighted average maturity of 4.01 years, and a weighted average yield to maturity (YTM) of 4.54%.

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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

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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.

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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.