

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.07.20

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

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	8,025,799	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

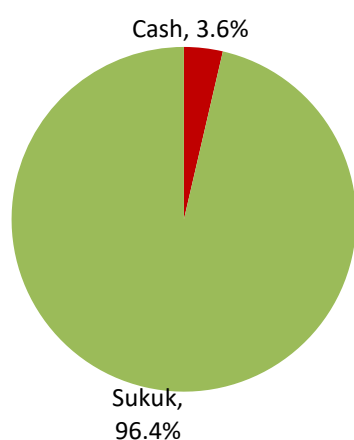
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66	1.00	1.43	0.72						0.19
Benchmark	0.16	0.15	0.12	0.12	0.05	0.03	0.03						0.10
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
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

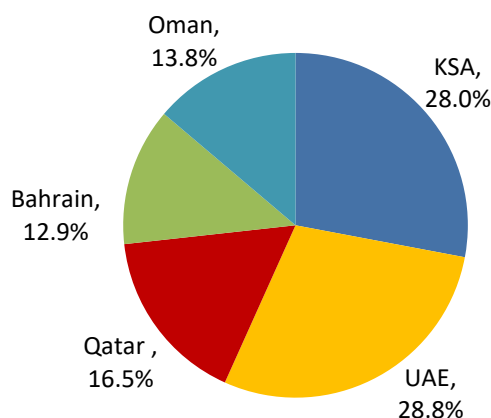
ASSET ALLOCATION (%)

	Actual
Cash	3.6%
Sukuk	96.4%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

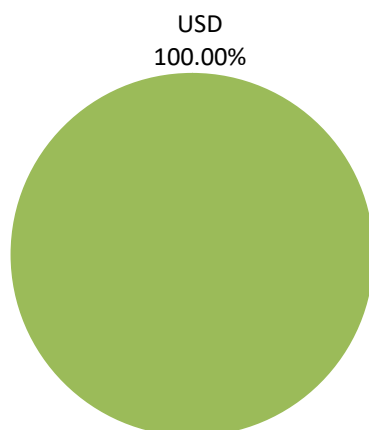


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.22%
Sharjah Islamic Bank Sukuk	8.83%
First Abu Dhabi Bank Sukuk	6.57%
State of Qatar Sukuk	6.57%
Dubai Islamic Bank Sukuk	6.46%
Kingdom of Saudi Arabia	6.43%
Saudi Electric Co. Sukuk	6.42%
CBB International Sukuk Company	6.26%
CBB International Sukuk Company	6.25%
Qatar Islamic Bank Sukuk	6.24%

COMMENTARY

For the fourth consecutive month, the Sukuk market recorded gains as more fiscal stimulus measures were introduced in the United States and the largely USD-denominated MENA Sukuk market reaped the rewards. The Dow Jones Sukuk Index rallied by 1.79% (YTD 3.27%) and the S&P MENA Sukuk Index surged by 1.87% (YTD 4.76%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund gained 0.72% (YTD 0.19%) to turn positive for the year.

In figures released at the end of July, the United States' economy suffered its sharpest downturn since at least the 1940s. Gross domestic product (GDP) shrank by 9.5% in the second quarter of the year compared to the previous quarter, a drop that equals an annualized pace of a 32.9% decline, the Commerce Department's initial estimate showed. That's the steepest annualized decline in quarterly records dating back to 1947 and compares with analyst estimates for a 34.5% contraction.

On the same note, Saudi Arabia posted a budget deficit of SAR109 billion (USD29.12 billion) in the second quarter of this year as low oil prices hurt revenues, a finance ministry report showed. The coronavirus crisis has hurt the non-oil sector of the world's largest oil exporter this year, adding to the impact of historic price lows on the economy. Second quarter oil revenues fell by 45% year-on-year to USD25.5 billion and total revenue dropped 49% to nearly USD36 billion.

Meanwhile, a report released by Standard & Poor's (S&P) expected the government funding deficit across the GCC to exceed USD180 billion in 2020 due to low oil prices and the economic repercussions of the COVID-19. The rating agency expected the surge in deficits to increase demand for debt issuance across the region.

In other news, Egypt is looking to get its debt strategy on track after it was thrown off course by the global pandemic as foreign investors flock back to local assets. For one of the Middle East's most indebted countries, the goal is to ease the cost of borrowing by extending maturities and diversifying funding sources. Egypt is planning to entice a new class of investors by issuing its first Sukuk in both local and international markets in the fiscal year that started this month, according to Mohamed Hegazy, head of the Finance Ministry's debt management unit.

In ratings news, S&P Global warned that Dubai's economy was set to shrink 11% this year, as it cut the credit ratings of two of the emirate's biggest property firms to 'junk' status. Both EMAAR Properties and DIFC Investments were downgraded to BB+ from BBB-. S&P Global Ratings also kept Turkey's sovereign assessment unchanged and maintained its stable outlook, citing authorities' efforts to mitigate the fallout from the coronavirus. The ratings company kept its credit rating for Turkey at B+, four notches below investment grade, with a stable outlook. That's on par with Jordan.



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In issuance news, United Arab Emirates' Dana Gas said it has appointed a financial adviser in relation to its Dollar-denominated Islamic bonds, which the company has already restructured twice. Dana gas said in a bourse filing it had appointed Houlihan Lokey as the company's financial adviser in relation to its Nile Delta Sukuk. The Nile Delta Sukuk currently has USD379.6 million outstanding and matures on the 31st of October 2020.

The Fund closed the month positioned with an overall weighted average maturity of 2.65 years, and a weighted average yield to maturity (YTM) of 2.92%.

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.

