

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.07.23

NAV PER SHARE

\$9.16

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	7,999,068	Fund Manager	AB Fund Managers (Guernsey) Ltd
Launch date	28 February 2008	Investment Advisor	Al Arabi Investment Group Co (AB Invest)
Listing	CISX	Dealing frequency	Monthly, 7 business days prior to month end
		BBG code	IIABSUK GU Equity

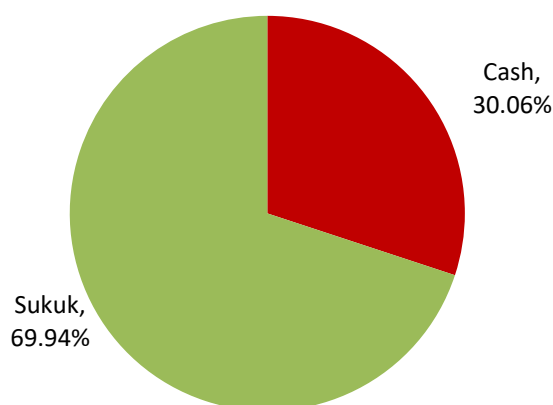
MONTHLY PERFORMANCE (%)

	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	-0.14	0.13						0.16
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

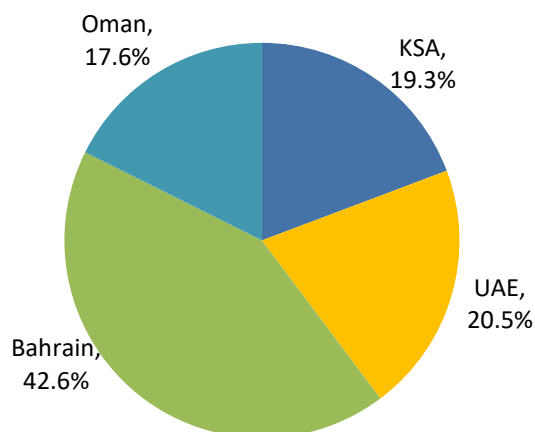
ASSET ALLOCATION (%)

	Actual
Cash	30.06%
Sukuk	69.94%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

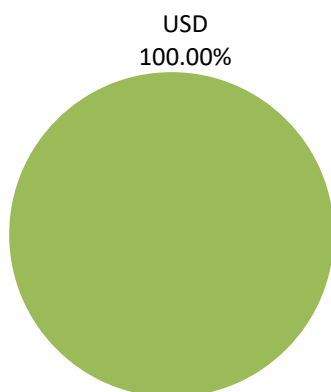


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.55%
Oman Sultanate	9.21%
Mumtalakat Sukuk	8.72%
Arabian Centres	6.04%
CBB International Sukuk Company	5.96%
Emaar Sukuk	5.81%
CBB International Sukuk Company	5.64%
DIB Tier 1 Sukuk	5.63%
KSA Sukuk Limited	4.50%
Oman Sovereign Sukuk	3.16%

COMMENTARY

MENA sukuk indices were flat during the month of July, closing on the 27th, as the market struggles for direction among mixed signals from the US Federal Reserve relating to the path of interest rates going forward. The Dow Jones Sukuk Index has gone down by 0.08% (YTD 0.14%), while the S&P MENA Sukuk Index gained 0.18% (YTD 2.13%). The IIAB Sukuk & Murabaha MENA Fund was on the same note, rising by 0.13% (YTD 0.16%).

In July's marquee news, the Federal Reserve resumed raising interest rates and Chair Jerome Powell left open the possibility of further hikes, which he emphasized, will depend on incoming data that has recently signaled a resilient US economy. After pausing rate increases in June, policymakers lifted borrowing costs again at their policy meeting for the 11th time since March 2022 to curb inflation. The quarter percentage-point hike, a unanimous decision, boosted the target range for the Fed's benchmark federal funds rate to between 5.25% to 5.5%, the highest level in 22 years. On the other hand, the US economy will muster enough strength to avoid slipping into a recession even as higher interest rates and a pickup in unemployment weigh on consumers, fresh Congressional Budget Office estimates show. Gross domestic product is projected to rise at a 0.4% annual rate in the second half of this year, before steadily improving in 2024 and into the following year, according to the CBO.

In regional news, Egypt said it had agreed to sell \$1.9 billion of state assets to local firms and a United Arab Emirates wealth fund, as it looks to send a clear signal of progress in efforts to revive an economy crippled by a foreign-currency crunch. The divestments mark the most significant step forward on a broad plan announced in February to raise billions of dollars by listing whole or parts of companies, or offering them to strategic investors.

Moreover, OPEC+ allies Saudi Arabia and Russia are at the opposite extremes of the International Monetary Fund's latest global outlook despite joint efforts to cut crude output. The Kingdom is getting the steepest growth downgrade among major economies from the IMF at a time when the Kremlin's wartime budget stimulus helps offset its oil curbs. Saudi Arabia, the fastest-growing economy in the Group of 20 last year, is on track to expand just 1.9% in 2023, a downward revision of 1.2 percentage points from the fund's earlier estimate. By contrast, the IMF improved its view of Russia by 0.8 percentage point and now expects the economy to add 1.5%.

In ratings updates, Fitch affirmed Bahrain's long-term foreign currency debt rating at B+. Outlook remains stable. Meanwhile, United Arab Emirates' long-term issuer default rating was affirmed at AA- by the same agency. Outlook remains stable.

In new issuance updates, Almarai Company, rated Baa3 (stable) / BBB- (stable) by Moody's/S&P, has mandated several banks to issue a USD-denominated, 10-year senior unsecured Sukuk offering under Almarai Sukuk Limited's USD 2bn Trust Certificate Issuance Program. The initial pricing is in the Treasury + 180bps area. Moreover, Abu Dhabi Islamic Bank (ADIB) raised USD750 million through an AT1 eligible USD perpetual NC 5.5-year sukuk, at a final profit rate of 7.25%. Finally, Dar Al-Arkan Real Estate Development Company Ltd [B1 by Moody's (stable outlook)] released an IPT for a new long 5-year USD sukuk issue. The initial pricing is in the 8.50% area.



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The Fund was 71.44% invested at the end of the month. It was positioned with an average yield to maturity of 2.21% and an average maturity of 2.09 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.

