

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.08.23

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	7,992,185	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

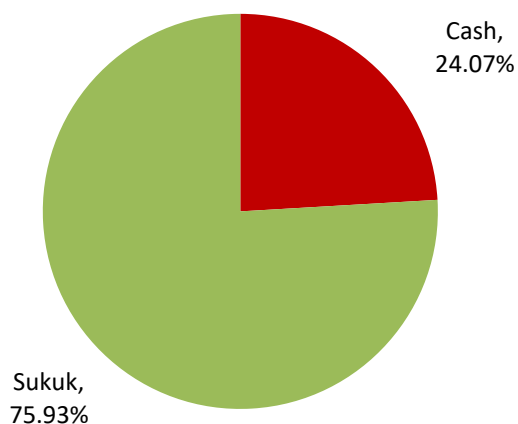
MONTHLY PERFORMANCE (%)

	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	-0.09					0.07
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

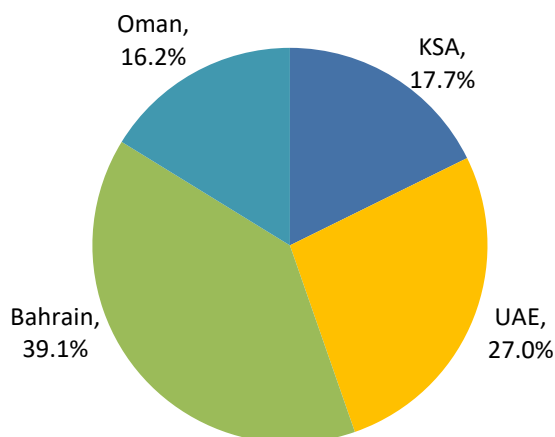
ASSET ALLOCATION (%)

	Actual
Cash	24.07%
Sukuk	75.93%

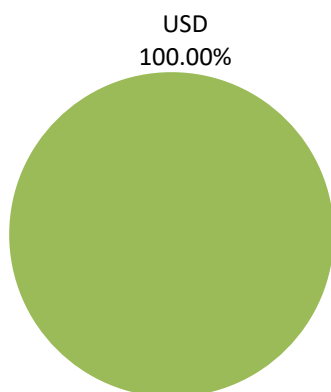
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.56%
Oman Sultanate	9.22%
Mumtalakat Sukuk	8.71%
DP World Crescent Limited	6.14%
Arabian Centres	6.05%
CBB International Sukuk Company	5.97%
Emaar Sukuk	5.82%
DIB Tier 1 Sukuk	5.63%
CBB International Sukuk Company	5.56%
KSA Sukuk Limited	4.48%

COMMENTARY

In August, MENA Fixed income indices have continued their downward path following their April highs, albeit at a slower rate, as investors seem to struggle to figure out the direction in relation to US interest rates. The Dow Jones Sukuk Index fell 0.56% (YTD -0.42%) to erase all the year to date gains, while the S&P MENA Sukuk Index shed 0.10% (YTD 2.03%). The IIAB Sukuk & Murabaha MENA Fund on the other hand, has fallen slightly by 0.09% (YTD 0.07%).

The event that roiled markets most in August was when the US was stripped of its top-tier sovereign credit grade by Fitch Ratings. The said rating agency criticized the country's ballooning fiscal deficits and an "erosion of governance" that's led to repeated debt limit clashes over the past two decades. The US was cut one level from AAA to AA+, echoing a move made more than a decade ago by S&P Global Ratings. Tax cuts and new spending initiatives coupled with multiple economic shocks have swelled budget deficits, Fitch said, while medium-term challenges related to rising entitlement costs remain largely unaddressed.

In MENA news, Egypt faces a continued review by Moody's Investors Service, which said it's weighing progress on the government's reform agenda against factors including evidence of a further weakening in external liquidity. Moody's, three months ago, started a review for downgrade of the nation's B3 debt score, which is six steps below investment grade and in line with Angola, Turkey, and Nicaragua. Following a Moody's cut in February, the rating is the lowest assigned by the three major credit assessors. Egypt has been struggling to regain access to external financing during its worst foreign-exchange crunch in years. Heavily exposed to the economic fallout from Russia's invasion of Ukraine, Egypt now needs to build up sufficient hard-currency buffers to manage another likely devaluation of the pound.

In issuance news, Saudi Arabia has completed an early purchase of more than 35.7 billion riyals (USD9.5 billion) of outstanding debt and will issue about 35.9 billion riyals in sukuk as the kingdom plans to bolster its domestic market. The government bought a portion of its debt instruments maturing in 2024, 2025 and 2026, the National Debt Management Center said in a statement. The buyback represents the largest early purchase transaction arranged by NDMC. The Saudi government will issue new sukuk worth 35.9 billion riyals under the Local Saudi Sukuk Issuance Program, NDMC said. The program will be divided into four tranches, with issuances maturing in 2031, 2032, 2033 and 2038. The initiative is part of NDMC's efforts to strengthen the domestic market.

Furthermore, Saudi Arabia's sovereign wealth fund has hired banks for a debut Islamic dollar sukuk sale to help finance its global spending plans, people familiar with the matter said. The Public Investment Fund, which manages about USD778 billion in assets, mandated several banks for the offering. The fund could raise about USD3 billion, though the final size of the sukuk could be bigger depending on investor demand.

In rating news, Fitch Ratings reaffirmed Morocco's Long-Term Foreign-Currency Issuer Default Rating (IDR) at BB+ with a Stable Outlook. The rating agency's report reflects the country's sound macroeconomic policies, an ability to weather economic shocks, a resilient institutional framework, and a favorable debt composition. The agency pointed also to ample external liquidity buffers and creditor support. However, Fitch warned against strong headwinds, including a recent economic slowdown, high inflation, and a larger fiscal deficit.



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The Fund was 77.52% invested at the end of August, with an estimated average yield to maturity of 2.35% and an estimated average maturity of 2.34 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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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.

