

IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.10.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$8.59

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 7,496,400	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

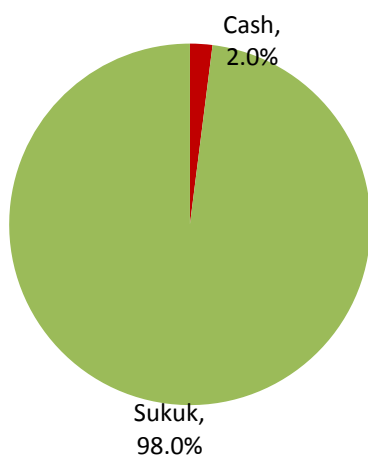
MONTHLY PERFORMANCE (%)

	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	0.24	0.18	-0.25			-0.85
Benchmark	0.14	0.15	0.17	0.19	0.20	0.19	0.19	0.19	0.19	0.20			1.84
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

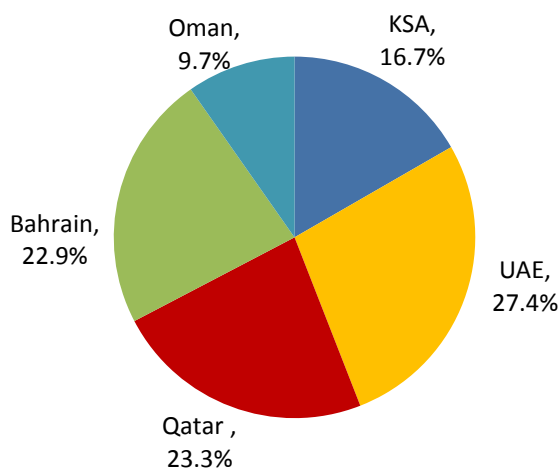
ASSET ALLOCATION (%)

	Actual
Cash	02.0%
Sukuk	98.0%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

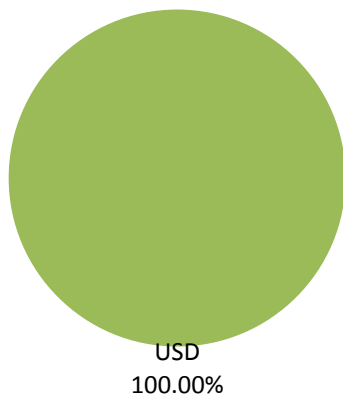


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.99%
Emaar Malls Group Sukuk LTD	9.85%
Ooredoo Tamweel LTD	6.67%
State of Qatar Sukuk	6.55%
Qatar Islamic Bank Sukuk	6.48%
OMAN SULTANATE 3.5%	6.44%
Kingdom of Saudi Arabia	6.43%
Dubai Islamic Bank Sukuk	6.43%
Saudi Electric Co. Sukuk	6.35%
Mumtalakat Sukuk Holding	6.31%

COMMENTARY

MENA Sukuk markets slipped in October as the S&P MENA Sukuk Index lost 0.43% (YTD -0.48%) and the Dow Jones Sukuk Index fell by 0.95% (YTD -4.01%). The IIAB Sukuk & Murabaha MENA Fund shed -0.25% (YTD -0.85%) to close at a net asset value (NAV) of USD 8.59 .

In October, the UAE enacted a long-delayed law to allow the federal government to issue sovereign bonds. Several of the emirates already sell bonds in international markets but allowing the central government to issue debt could benefit poorer emirates as federal bonds will carry higher credit ratings. The federation will establish a Public Debt Management Office to oversee the new borrowings.

Officials at Malaysia's CIMB Islamic Bank, one of the world's top Sukuk arrangers, say Sukuk issuance has likely peaked and may retreat this year following record issuance in 2017. Weaker growth prospects in the Middle East and rising U.S. interest rates will result in the issuance volumes possibly only reaching USD40 billion by the end of the year, compared to USD56 billion last year. According to data compiled by Bloomberg, sales of Sukuk have dropped 23.5% so far this year to USD34.87 billion, and a gauge of the cost of financing using Sukuk is hovering near a four-year high. The JPMorgan MECI Sukuk Current Yield Index went up 10 basis points this year to reach 4.27% in early October, close to the 4.36% peak reached in May, which was the highest level since October 2013. However, we can expect bigger issuance volumes next year as core markets, such as Saudi Arabia and the GCC in general, are planning for bigger public investments to boost the economy, given higher oil prices.

The newest Sukuk to enter the market was Morocco's maiden domestic Sukuk. The Ijara issue, worth MAD1 billion (USD106 million), may act as a benchmark for more local issuances. The Finance and Economy Ministry's head of debt management said the sale allows the option of an international sovereign Sukuk should they decide to tap the international bond market.

In Saudi Arabia, dairy company Almarai hired banks to arrange a sale of U.S. dollar Sukuk. The sale would mark the company's debut in the international debt market as it has so far only issued bonds in riyal. The issue is expected to be of benchmark size, i.e. greater than USD500 million.

In ratings updates, S&P affirmed both Saudi Arabia's Long-Term Foreign Currency Debt Rating and Long-Term Local Currency Debt Rating at 'A-' and outlook remains stable. In addition, Fitch affirmed Qatar's Long-Term Foreign Currency Issuer Default Rating (IDR) at 'AA-' with a stable outlook. According to the rating agency, Qatar's rating reflects "a return to budget surpluses, a strong net external and public sector asset position, and one of the world's highest ratios of GDP per capita". However, the rating remains weighed down by the government's high levels of debt and dependence on hydrocarbons.

The Fund closed the month positioned with an overall weighted average maturity of 3.11 years, and a weighted average yield to maturity (YTM) of 4.31%.



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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

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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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.

For the purposes of FSA regulation, the fund is defined as an "Unregulated Collective Investment Scheme" and the promotion of such schemes either within the UK or from the UK is severely restricted by statute. Consequently, this report is only made available to Professional Clients and Eligible Counterparties as defined by the Financial Services Authority and to persons falling within the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. The fund is only offered on the basis of the Offering Memorandum and any supplements thereto.

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.

