

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.10.22

NAV PER SHARE

\$9.08

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	7,928,586	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

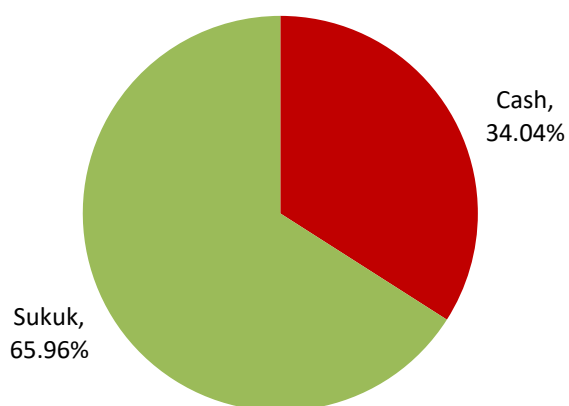
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78	0.38	0.23	-0.96	-0.08			-3.24
Benchmark	0.02	0.03	0.04	0.08	0.11	0.13	0.19	0.23	0.26	0.31			1.41
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
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

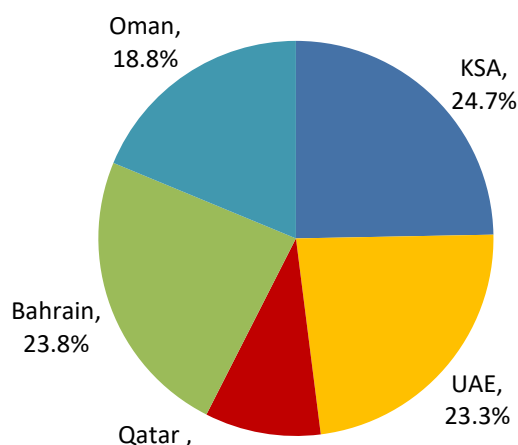
ASSET ALLOCATION (%)

	Actual
Cash	34.04%
Sukuk	65.96%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

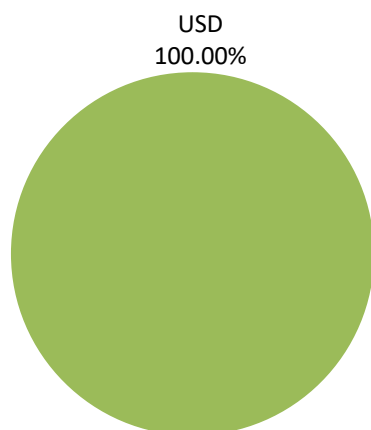


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.69%
OMAN SULTANATE	9.23%
State of Qatar Sukuk	6.28%
Dubai Islamic Bank Sukuk	6.26%
First Abu Dhabi Bank Sukuk	6.26%
Saudi Electric Co. Sukuk	6.12%
CBB International Sukuk Company	6.03%
Arabian Centres Sukuk	5.82%
KSA Sukuk Limited	4.40%
Oman Sovereign Sukuk	3.18%

COMMENTARY

MENA Fixed income indices have suffered further losses during the month of October amid rising inflation levels and imminent interest rate hikes by the US Fed. The Dow Jones Sukuk Index fell 1.49% (YTD -13.12%), while the S&P MENA Sukuk Index shed 1.33% (YTD -9.98%). The IIAB Sukuk & Murabaha MENA Fund on the other hand ended the month down slightly by 0.08% (YTD -3.24%).

In major news for the month, International Monetary Fund Chief Kristalina Georgieva said on Wednesday that central banks should keep raising interest rates further to fight inflation until they hit a "neutral" level, though in most cases they have not reached this point. The Fund's Managing Director said it would take until 2024 for the positive effect of central banks raising rates globally to be felt. This comes after the rapid rise in US consumer prices showed no signs of abating in September, prompting a sharp sell-off and then rebound on Wall Street, as investors feared the Federal Reserve will have to become even more aggressive to slow rampant inflation. The consumer price index's core measure of inflation, which strips out volatile energy and food costs, rose 6.6% on an annual basis in September, faster than the 6.3% rate in August — and its fastest pace in four decades. The increase in the overall CPI, including energy and food, rose 8.2% over a year earlier, little changed from the 8.3% annual rise recorded in August.

In regional news, Egypt agreed on a USD3 billion loan with the International Monetary Fund after sharply devaluing its currency as it seeks to shore up an economy battered by the fallout from Russia's invasion of Ukraine. The North African nation, which has faced soaring import bills and an exodus of foreign money due in part to the conflict, will also receive USD5 billion from international partners to help finance the country's external funding gap, Egyptian officials told a news conference. A further USD1 billion from a newly created sustainability fund is also on the table, according to the IMF. In what could signal a longer-term shift in its currency policy, the central bank said earlier it was adopting a more flexible exchange-rate regime. It also raised official borrowing costs by 200 basis points at an unscheduled meeting.

In energy news, OPEC+ defended its controversial oil-production cuts, saying they were justified by the growing risk of a global recession. The cartel agreed on October 5 to reduce its collective crude-output target by 2 million barrels, sparking condemnation from consumers including the US, which accused it of aiding Russia's war in Ukraine. But the decision was motivated purely by supply and demand, and the drop in prices since the meeting shows it was the right one, said United Arab Emirates Oil Minister Suhail Al Mazrouei. Oil ministers from Congo and Equatorial Guinea reiterated this defense, while OPEC's top official said the group had little choice but to take preemptive action.

In issuance news, Saudi Arabia sold bonds and Islamic securities, while offering to buy back some of its existing debt. The world's biggest oil exporter priced a USD2.5 billion sale of sukuk bonds maturing in six years and USD2.5 billion in dollar notes due in 10 years, paying 105 basis points and 150 basis points over similarly dated US Treasuries.



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In rating updates, United Arab Emirates' long-term issuer default rating was affirmed by Fitch at AA-. Outlook remained stable. Abu Dhabi's long-term issuer default rating was affirmed by Fitch at AA, with a stable outlook. Meanwhile, S&P Global Ratings has maintained the local and foreign currencies credit ratings of Egypt at "B", with a stable outlook for the second time in 2022. The decision reflects the confidence of international institutions, especially credit rating agencies, in the strength and resilience of the Egyptian economy and its ability to positively address difficult external challenges according to the Finance Minister.

The Fund was 67.94% invested at the end of October, with an estimated average yield to maturity of 0.32% and an estimated average maturity of 1.23 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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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.

