

IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.12.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$8.60

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 7,509,189	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

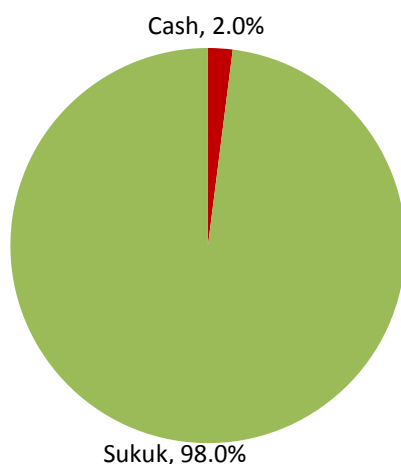
MONTHLY PERFORMANCE (%)

	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	0.05	0.12	-0.68
Benchmark	0.14	0.15	0.17	0.19	0.20	0.19	0.19	0.19	0.19	0.20	0.21	0.23	2.29
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

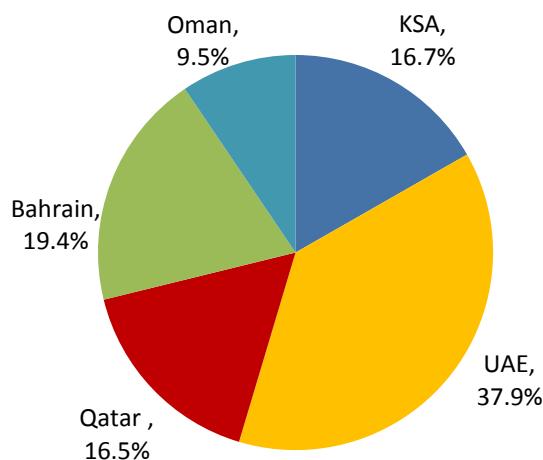
ASSET ALLOCATION (%)

	Actual
Cash	2.0%
Sukuk	98.0%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

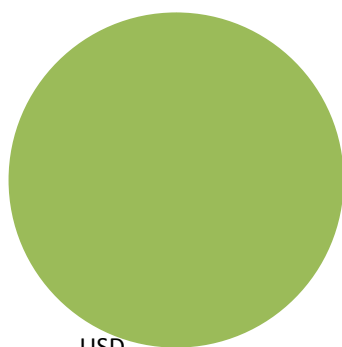


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CURRENCY ALLOCATION



USD
100.00%

TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	9.78%
State of Qatar Sukuk	6.59%
First Abu Dhabi Bank Sukuk	6.58%
Qatar Islamic Bank Sukuk	6.48%
Kingdom of Saudi Arabia	6.48%
Sharjah Islamic Bank Sukuk	6.46%
Dubai Islamic Bank Sukuk	6.45%
CBB International Sukuk Company	6.41%
Saudi Electric Co. Sukuk	6.38%
CBB International Sukuk Company	6.33%

COMMENTARY

Sukuk markets moved upwards in December, with the regional S&P MENA Sukuk Index gaining 0.62% (YTD +0.33%) and the wider-scale Dow Jones Sukuk Index rising 0.59% (YTD -3.41%). The IIAB Sukuk & Murabaha MENA Fund went up by 0.12% (YTD -0.68%).

In new issuances, Saudi Arabia issued SAR1.285 billion (USD343 million) of domestic Sukuk in a tap of the October Sukuk sale. The issuance was made under the monthly issuance programme and brought the total value of the October Sukuk up to SAR6.535 billion (USD1.74 billion), distributed into three tranches, five-year, seven-year, and 10-year Sukuk. However, in Saudi corporate issuances, Jabal Omar Development Company sold USD135 million-worth of Sukuk due in 2023 with a profit rate of 9.85%. Additionally, Bidaya Home Finance successfully completed its Series 2 Sukuk issuance through the sale of SAR100 million (US\$26.62 million) Sukuk. The issuance falls under its recently established SAR500 million Sukuk program. Bidaya is the only mortgage finance company in Saudi Arabia to access the domestic Sukuk market, and its issuance was faced with wide investor appetite.

Over in the UAE, the Emirate of Sharjah raised USD200 million through a tap of the USD1 billion 10-year Sukuk it originally sold in March. The 4.226% Sukuk due in 2028 is rated BBB+ by Standard & Poor's Global Ratings and will be used for general budgetary purposes. In the corporate space, SENAAT General Holdings listed its USD300 million Sukuk on both the Abu Dhabi Securities Exchange and the London Stock Exchange. The seven-year Sukuk was met with high demand from local and global investors, exceeding the coverage ratio 10 fold, and carried a profit rate of 4.76%.

Furthermore, in debt listings, the Amman Stock Exchange listed Jordan's debut sovereign Sukuk with a total value of JOD34 million and an annual return of 3.01%.

In ratings news, Fitch downgraded Oman to 'BB+' from 'BBB-' with a stable outlook, leaving only Moody's Investors Services to rate it as an investment grade credit. Fitch cited fiscal challenges to the oil producer due to volatile crude prices, and that the outlook for oil production, prices, and revenues filling the government's budget is highly uncertain. According to Fitch, government debt may continue on an upward trend well into the 2020s, reaching 58% of GDP in 2020 (compared to 48% in 2018), while gross foreign debt issuance may average USD5 billion per year in 2019 and 2020.

The US Federal reserve raised interest rates by 25 basis points for the fourth time in 2018 and Chairman Jerome Powell did not change his stance regarding further financial tightening to the degree investors had hoped. A number of GCC central banks followed suit with 25 bp hikes on their key policy rates. Saudi Arabia's SAMA raised its repo and reverse repo rates, the UAE's central bank raised the rate on its certificates of deposit, and Bahrain's central bank raised its one-week deposit facility, its overnight deposit rate and its lending rate. Contrarily, the Kuwaiti central bank kept its discount rate unchanged in an effort to bolster economic growth.

The Fund closed the month positioned with an overall weighted average maturity of 3.80 years, and a weighted average yield to maturity (YTM) of 4.64%.



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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.

