

IIAB MENA Feeder Fund

Performance Report 28.09.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.50**

OBJECTIVE OF THE FUND

The IIAB MENA Feeder Fund is a long-term, medium to high risk investment vehicle that invests in the IIAB Islamic MENA Fund (Master Fund). The IIAB Islamic MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities, whilst adhering to the sharia' principles. The Fund aims to achieve an annual average net return in excess of 11% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

KEY FEATURES

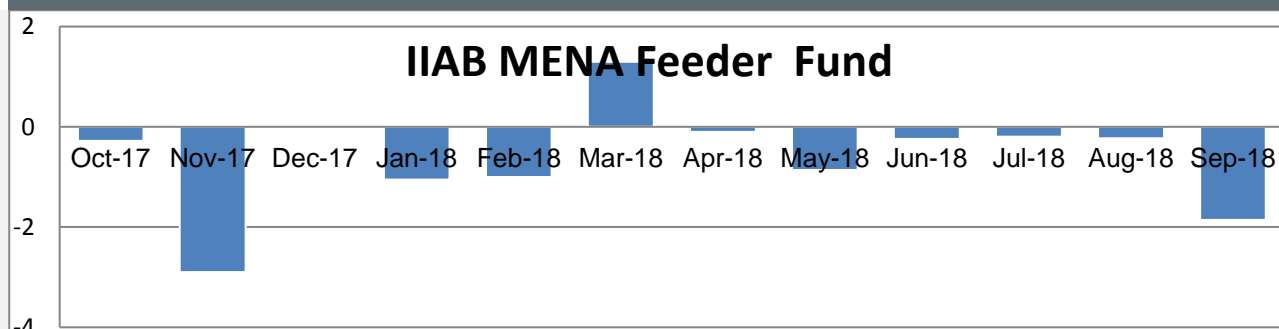
| | | | |
|---------------------------|--------------------------|-----------------------------|--|
| Domicile | Guernsey Channel Islands | Valuation point | Monthly, last business day of the month |
| Reference currency | USD | Minimum subscription | USD 25,000 & USD 1,000 thereafter |
| Fund assets | USD 2,789,403 | Fund manager | AB Fund Managers (Guernsey) Ltd |
| | | Investment advisor | Al Arabi Investment Group Co (AB Invest) |
| Launch date | 28 February 2008 | Dealing frequency | Monthly, 10 business days prior to month end |
| Listing | CISX | BBG code | IIABMEU GU Equity |

Important note: For clarity purposes, the figures below represent the performance, asset allocation and holdings of the IIAB Islamic MENA Fund (Master Fund).

MONTHLY PERFORMANCE (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Y.T.D. |
|---|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|-------|--------|
| IIAB MENA Feeder Fund | | | | | | | | | | | | | |
| 2018 | -1.05 | -1.00 | 1.24 | -0.01 | -0.86 | -0.24 | -2.00 | -0.23 | -1.86 | | | | -5.90 |
| 2017 | 0.10 | 0.01 | 0.40 | 0.69 | -2.64 | 0.70 | -1.00 | -0.95 | 0.98 | -0.28 | -2.90 | -0.04 | -4.91 |
| 2016 | -8.92 | 4.95 | 2.12 | 2.57 | -1.25 | -0.04 | 0.41 | -0.12 | -1.87 | -0.99 | 4.95 | 1.81 | 2.89 |
| 2015 | 0.79 | 2.36 | -3.44 | 5.70 | -0.30 | 0.30 | -0.17 | -10.37 | 0.81 | -2.97 | 0.54 | -0.90 | -8.19 |
| 2014 | 2.70 | 1.32 | -0.13 | 1.94 | 1.89 | -2.27 | 6.45 | 2.57 | 0.26 | -4.26 | -3.24 | -0.86 | 6.06 |
| IIAB Islamic MENA Fund (Master Fund) | | | | | | | | | | | | | |
| 2018 | -0.96 | -0.92 | 1.30 | 0.06 | -0.81 | -0.17 | -1.94 | -0.18 | -1.80 | | | | -5.34 |
| 2017 | 0.16 | 0.07 | 0.48 | 0.74 | -2.58 | 0.79 | -0.92 | -0.88 | 1.05 | -0.22 | -2.83 | 0.05 | -4.10 |
| 2016 | -8.86 | 5.04 | 2.18 | 2.64 | -1.18 | 0.02 | 0.48 | -0.02 | -1.81 | -0.92 | 5.03 | 1.88 | 3.78 |
| 2015 | 0.87 | 2.44 | -3.38 | 5.78 | -0.23 | 0.38 | -0.08 | -10.32 | 0.89 | -2.92 | 0.61 | -0.83 | -7.39 |
| 2014 | 2.80 | 1.39 | -0.05 | 2.01 | 1.96 | -2.18 | 6.54 | 2.65 | 0.33 | -4.18 | -3.17 | -0.69 | 7.15 |

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

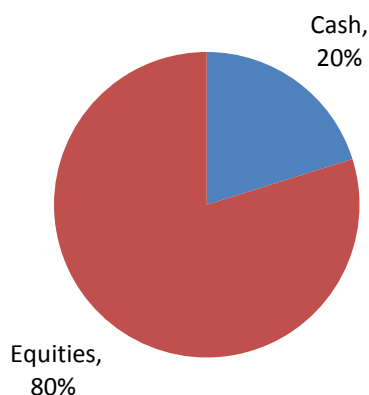
| | Portfolio |
|-----------------------|-----------|
| Annualised return | -4.8% |
| Annualised volatility | 14.3% |
| Sharpe ratio | NM |
| Maximum month | 8.3% |
| Minimum month | -25.6% |
| % Positive months | 51.6% |
| Worst 12 months | -69.9% |
| Best 12 months | 88.9% |

TOP TEN HOLDINGS (MASTER FUND)

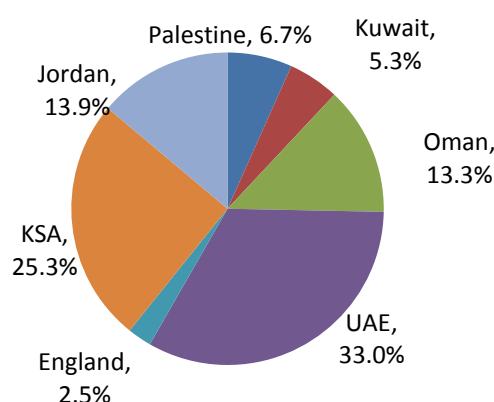
| | Country | % |
|-----------------------------|-----------|-------|
| Ooredoo | Oman | 9.65% |
| Aramex | UAE | 8.81% |
| Dubai Islamic Bank | UAE | 8.80% |
| Siniora Food Industries | Jordan | 8.78% |
| Emaar Properties | UAE | 8.72% |
| Saudi Airlines Catering | KSA | 7.66% |
| Palestine Telecommunication | Palestine | 5.35% |
| Dallah Health Care Holding | KSA | 5.27% |
| Human Soft Holding | Kuwait | 4.22% |
| Savola Group | KSA | 3.86% |



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets retreated during the month. The S&P Pan Arab Investable Index slipped 1.11% (YTD +2.63%) and the Dow Jones MENA Index lost 0.40% (YTD +7.83%). Islamic markets performed similarly; the Dow Jones Islamic Market MENA Index fell by 0.44% (YTD +5.29%). The Arab Bank MENA Fund shed 0.31% (YTD -0.55%) and the IIAB Islamic MENA Fund lost 1.80% (YTD -5.34%). In turn, the AB MENA Feeder Fund fell by 0.35% (YTD -0.93%) and the IIAB MENA Feeder Fund went down by 1.86% (YTD -5.90%).

In the GCC, the Saudi Arabian TASI closed the month up 0.65% (YTD +10.70%) after it fell over 6% during the first two weeks. The Saudi index recovered alongside a recovery in oil prices, where Brent Crude rose by 6.85% (YTD +23.70%) to USD82.72. Additionally, U.S. West Texas Intermediate gained 4.94% to close at USD73.25 (YTD +21.23%). Oil prices grew stronger with news of a new round of sanctions on Iran, OPEC's third largest producer, and expectations that OPEC may not be able to replace the shortfall.

In Dubai, the DFM Index slipped 0.18% (YTD -15.88%) and Abu Dhabi's ADSM Index dropped 1.03% (YTD +12.21%). Furthermore, the Qatari Index shed 0.74% but remained strong as of the beginning of the year at +15.13%, while Kuwait's Premier Market Index gained 1.56% (+8.05% since the index's inception in April). In Oman, the MSM30 Index gained 2.82% (YTD -10.90%) and, in Bahrain, the Index edged up by 0.03% (YTD +0.51%). Outside the GCC, the Egyptian EGX30 Index slid down by 8.70%, erasing all the gains it made during the year and pushing it into negative territory at -2.68%. Meanwhile in Jordan, the ASE General Index lost 0.51% to extend its yearlong decline (YTD -7.11%).

In macroeconomic news, Saudi Arabia put into effect its latest round of Saudisation measures. The decision requires four (out of 12) retail activities to be 70% Saudised; the sectors include automotive, apparel, home appliances and furniture. Several shops had reportedly shut down their business before the decision came into effect. According to the Ministry of Labor and Social Development, the decision will provide job opportunities for 30,000 Saudi nationals. The nationalization of the remaining eight activities should be completed by January 2019.

On the global front, the French CAC 40 Index gained 1.60% (YTD +3.41%) and the German DAX Index lost 0.95% (YTD -5.19%). The UK's FTSE 100 Index rose by 1.05% to reverse part of the previous month's decline of 4.08%, but remained negative for the year (YTD -2.31%). In East Asian markets, equities saw improvements with the Nikkei Index adding 5.49% (YTD +5.95%) and the Shanghai Composite Index gaining 3.53% (YTD -14.69%). Whereas the Hang Seng Index shed 0.36% (YTD -7.12%).

In the U.S., the S&P 500 Index gained 0.43% (YTD +8.99%) and the Dow Jones Industrial Average Index rose by 1.90% (YTD +7.04%). The major news this month was the U.S. and Canada agreeing to a trade deal with Mexico. The three countries reached an agreement to replace the 24-year-old North American Free Trade Agreement (NAFTA) with what is to be called "the U.S.-Mexico-Canada Agreement", or USMCA. In other U.S. news, the Federal Reserve raised interest rates to a range of 2.00%-2.25% and left its plans to steadily tighten monetary policy intact as it forecasts the U.S. economy to enjoy at least three more years of growth.

In response to the rise in the U.S. Fed rate, the central banks of Saudi Arabia, the UAE, Bahrain, Qatar, and Jordan followed suit and hiked their main policy rates by the same 0.25% margin. However, Kuwait's Central Bank decided to keep its key discount rate unchanged.

We continue to take opportunistic gradual positions in certain overbeaten exposures at the equity, sector and country levels. Our overall strategy remains fundamentally based, with slight reallocations as markets reprice.



INVESTMENT METHODOLOGY & EDGE

AB Invest is one of the oldest, most experienced and fastest growing investment managers in the MENA region with more than a decade of cumulative quality experience in creating regional risk-adjusted investment solutions. Our investment process is underpinned by a focus on "value" selection, using a combination of top down and bottom up approach. Our knowledge of the constraints in the local markets allows us to adjust our approach and tailor a suitable investment process.

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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.

