

# IIAB MENA Feeder Fund

Performance Report 29.06.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$5.73

## 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

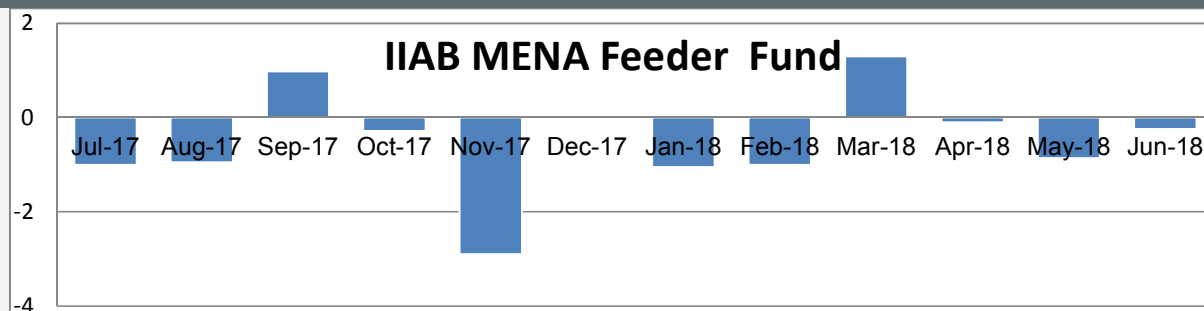
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,907,073	Fund manager	AB Fund Managers (Guernsey) Ltd
Launch date	28 February 2008	Investment advisor	Al Arabi Investment Group Co (AB Invest)
Listing	CISX	Dealing frequency	Monthly, 10 business days prior to month end
		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.
<b>IIAB MENA Feeder Fund</b>													
2018	-1.05	-1.00	1.24	-0.01	-0.86	-0.24							-1.93
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
<b>IIAB Islamic MENA Fund (Master Fund)</b>													
2018	-0.96	-0.92	1.30	0.06	-0.81	-0.17							-1.51
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



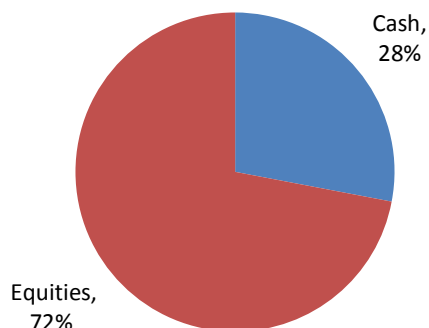
## PERFORMANCE STATISTICS (MASTER FUND)

	Portfolio
Annualised return	-4.5%
Annualised volatility	14.4%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.8%
Worst 12 months	-69.9%
Best 12 months	88.9%

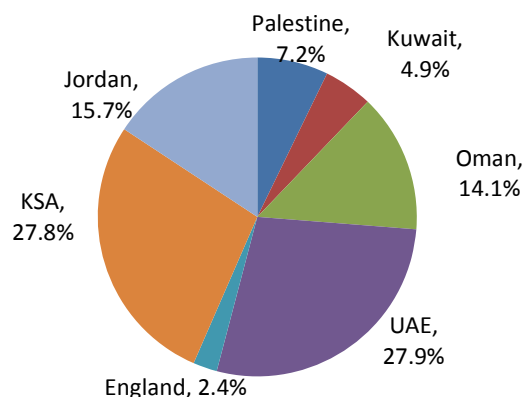
## TOP TEN HOLDINGS (MASTER FUND)

	Country	%
Siniora Food Industries	Jordan	9.04%
Ooredoo	Oman	8.93%
Saudi Airlines Catering	KSA	8.59%
Emaar Properties	UAE	8.24%
Dubai Islamic Bank	UAE	7.65%
Palestine Telecommunication	Palestine	5.20%
Savola Group	KSA	4.20%
Aramex	UAE	4.16%
Human Soft Holding	Kuwait	3.56%
Dallah Health Care Holding	KSA	2.96%

## ASSET ALLOCATION (MASTER FUND)



## GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



## COMMENTARY

MENA equity markets saw small movement this past month. The S&P Pan Arab Investable Index shed 0.31% which drove its year-to-date performance down to -0.23%, while the Dow Jones MENA Index gained 0.54% (YTD +7.93%). At the same time, the Dow Jones Islamic Market MENA Index inched up by 0.04% (YTD +4.99%). The Arab Bank MENA Fund gained 0.37% (YTD +1.65%) and the IIAB Islamic MENA Fund lost 0.17% (YTD -1.51%). In turn, the AB MENA Feeder Fund gained 0.37% (YTD +1.40%) and the IIAB MENA Feeder Fund shed 0.24% (YTD -1.93%).

The big news this month was the inclusion of Saudi Arabia into the MSCI Emerging Markets Index. The upgrade will be carried out in two phases in May and August 2019, with approximately USD5.7 billion of inflows expected for each phase to bring Saudi Arabia's share up to 2.6% of MSCI EM Index. Kuwait was also placed on the review list for potential reclassification to EM. If successful in June 2019, Kuwait is expected to account for 0.35% of the index, leading to expected inflows of USD1.5 billion in May 2020. In more news from Saudi Arabia, the country ended the world's last ban on female drivers on the 24th of June, and the decision proved to be beneficial to Saudi insurers as their shares on the stock market posted significant gains in the few days that followed. On an array of positive economic and social news, the Saudi Arabian TASI gained 1.88% (YTD +15.05%) to reach 8,314 points, its highest level in almost three years.

Similar to Saudi markets, the Kuwaiti, Qatari, and Bahraini markets witnessed overall improvements. Kuwait's Premier Market Index jumped 4.57% (-0.83% since the index's inception in April). The Kuwaiti parliament passed the budget for the 2018-2019 fiscal year with a deficit estimated at USD21 billion (17.5% of GDP). The deficit was calculated with oil prices at around USD50 per barrel. Moreover, the Qatari Index gained 1.62% (YTD +5.87%), and the Bahraini Index gained 3.57% (YTD -1.56%). At the same time in the GCC, Oman's MSM30 Index fell by 0.76%, pushing its year-to-date performance further into the red at -10.35%. Likewise, Dubai's DFM Index dropped 4.83%, making its year-to-date performance the worst among MENA indices at -16.29%. Abu Dhabi's Index lost 0.98% (YTD +3.67%) and, despite declining, outperformed the Dubai equity market as the Crown Prince of Abu Dhabi approved a three year economic stimulus program worth AED50 billion (USD13.6 billion), aimed at easing doing business, creating jobs, and boosting tourism. Furthermore, this June Saudi Arabia and the UAE announced a strategic alliance named "The Strategy of Resolve". The strategy outlines three axes: the economic, the human and knowledge, and the political, security, and military axes. The timeframe to implement the strategic projects has been set at 60 months.

Meanwhile, outside the GCC, Jordan's ASE Index shed 1.22% (YTD -2.65%) as King Abdullah II replaced the Prime Minister to diffuse protests over IMF-backed reforms, which supported a tighter income tax law. Consequently, Saudi Arabia, the UAE, and Kuwait approved USD2.5 billion in aid to Jordan to support its economic structure. The package included a deposit in the Central Bank of Jordan, World Bank guarantees, budgetary support over five years, and financing for development projects. In Egypt, the EGX30 Index slipped 0.40% (YTD +8.85%). In June, the Monetary Policy Committee at the Central Bank of Egypt met and decided to keep rates on hold, as was expected. The Committee cited declining unemployment, elevated oil prices, and an average annual headline inflation in line with the CBE's target (13% ±3%) as the reason for keeping key policy rates on hold.

In the market for oil, Brent crude price went up by 2.38% (YTD +18.80%) to USD79.44 despite OPEC agreeing to an increase in oil production starting next month. The U.S., China, and India had urged oil producers to increase supply to curb rising fuel costs and to prevent an oil deficit that could undermine global economic growth. Following calls from the major oil consumers, OPEC, with Russia and other oil-producing allies, agreed to a modest hike in oil supply after Saudi Arabia persuaded Iran to cooperate. The move is expected to translate into a nominal output rise of about 1 million barrels per day (1% of global supply). At the same time, WTI oil jumped 10.61% (YTD +22.72%) with oilrigs down by three during the month of June, according to Baker Hughes research. The U.S. Federal Open Market Committee (FOMC) raised interest rates for the second time this year in a move that was widely expected. It raised its benchmark overnight lending rate to 2% from 1.75% and signaled it would tolerate inflation above its 2% target at least until 2020. The "dot-plot" released with Fed officials' expectations showed an increase in the median number of hikes forecasted for the year to four times. In response to the Fed's rate hike, Saudi Arabia and Bahrain raised their key interest rates by the same margin, 25 bps. On the other hand, the Central Bank of Kuwait decided to keep its discount rate unchanged and did not disclose any further details. Average MENA market indices seemed to have fared better than other indices around the world. In the U.S., the S&P 500 Index gained 0.48% (YTD +1.67%) and the Dow Jones Industrial Average Index shed 0.59% (YTD -1.87%). Over in Europe, the German DAX dropped 2.37% (YTD -4.73%), the French CAC 40 lost 1.39% (YTD +0.21%), and the FTSE 100 fell by 0.54% (YTD -0.66%). In addition, the Shanghai Composite Index lost 8.01% (YTD -13.90%) and the Hang Seng Index went down by 4.97% (YTD -3.22%). Meanwhile, the Nikkei Index gained 0.46% (YTD -2.02%).

We continue to maintain a fundamental value driven strategy, despite some of the momentum witnessed in some markets recently. We believe that a strategic fundamentally driven focus is more worthy in terms of allocations and security selection. We, nonetheless, maintain a close eye on the market for tactical opportunities

### 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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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.

