

IIAB MENA Feeder Fund

Performance Report 30.08.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.61**

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

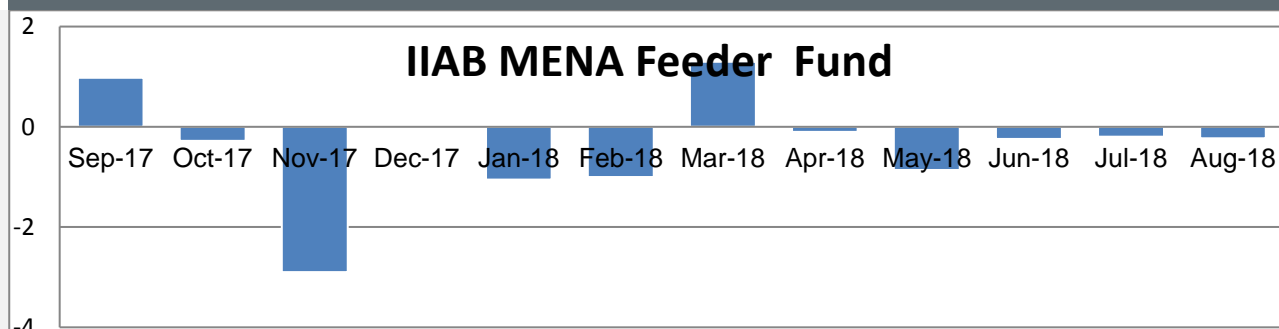
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,842,218	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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					-4.12
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					-3.60
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



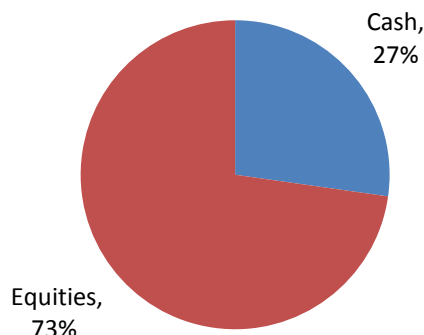
PERFORMANCE STATISTICS (MASTER FUND) | TOP TEN HOLDINGS (MASTER FUND)

PERFORMANCE STATISTICS (MASTER FUND)	
	Portfolio
Annualised return	-4.6%
Annualised volatility	14.3%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.0%
Worst 12 months	-69.9%
Best 12 months	88.9%

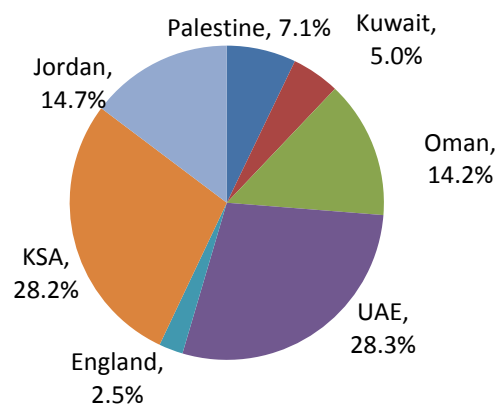
TOP TEN HOLDINGS (MASTER FUND)			
	Country	%	
Ooredoo	Oman	9.16%	
Siniora Food Industries	Jordan	8.51%	
Emaar Properties	UAE	8.31%	
Saudi Airlines Catering	KSA	8.22%	
Dubai Islamic Bank	UAE	8.22%	
Dallah Health Care Holding	KSA	5.41%	
Palestine Telecommunication	Palestine	5.24%	
Aramex	UAE	4.24%	
Human Soft Holding	Kuwait	3.64%	
Savola Group	KSA	3.55%	



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets retreated during the past month, but remained in positive territory on a year to date basis. The S&P Pan Arab Investable Index lost 0.28% (YTD +3.79%) and the Dow Jones MENA Index dropped 1.91% (YTD +8.27%). The month saw a similar performance from Islamic equity markets as the Dow Jones Islamic Market MENA Index shed 1.70% (YTD +5.76%). The Arab Bank MENA Fund lost 0.73% (YTD -0.24%) and the IIAB Islamic MENA Fund shed 0.18% (YTD -3.60%). In turn, the AB MENA Feeder Fund dropped 0.78% (YTD -0.58%) and the IIAB MENA Feeder Fund fell by 0.23% (YTD -4.12%).

The UAE faced conflicting performances. The Abu Dhabi Index gained 2.62% (YTD +13.38%), while the DFM General Index continued its downward path with a -3.92% monthly drop (YTD -15.72%). In Jordan, the General Index fell by 1.10% (YTD -6.63%), and in Qatar, the Index slipped by 0.62% (YTD +15.99%).

During August, a report by the Kuwaiti Central Bank stated that the current account surplus hit a three-year high in the first quarter at KWD1.7 billion (USD5.6 billion). The surplus was equivalent to 17% of quarterly GDP, which was up from KWD1.2 billion in the last quarter of last year. The rise was supported mainly by higher oil prices, which offset the effect of a widening services deficit, lower investment income, and higher remittances. The Kuwaiti Index shed 0.66% (YTD +6.63%).

Meanwhile in Oman, the MSM30 Index gained 1.91% (YTD -13.34%). In macroeconomic news, the Sultanate's budget deficit decreased by OMR1 billion (42%) to OMR1.4 billion for the first half of the year following a sharp rise in government revenues, according to statistics released by the National Centre for Statistics and Information (NCSI). Total revenues rose by 23.5% during the period due to higher oil and gas revenues and offset the 5.7% increase in public expenditure.

At the same time, the Bahraini Index dropped by 1.49% (YTD +0.48%), and the Government of Bahrain rejected the parliament's subsidy reform plan. The plan proposed a reform of the allowances paid to Bahrainis, which had been, in recent years, squeezed by austerity. This would have required an increase in government spending at a time when Bahrain is struggling with a current account gap and large budget deficit, both of which have weighed on its bond prices and currency.

Over in Egypt, the EGX30 Index appreciated by 2.75% (YTD +6.59%). In mid-August, the Monetary Policy Committee (MPC) at the Central Bank of Egypt met to discuss policy rates. The Committee decided to keep rates steady, as was widely expected, noting that inflation was still within the target of 13% +/-3%. The MPC acknowledged that inflation was likely to remain elevated especially with oil prices above USD70 per barrel.

Brent oil gained 4.27% during the month (YTD 15.78%) to reach USD 77.42 and WTI oil rose by 1.51% (YTD +15.52%) to close at USD69.80. Saudi Arabia granted its state-owned oil company, Aramco, a 40-year concession to exploit the Kingdom's hydrocarbon reserves. The effects of the decision may not materialize initially, since Aramco's IPO was put on hold while it closes a deal to buy a majority stake worth about USD70 billion in SABIC, a local petrochemical company. Bloomberg has reported that the IPO has been scrapped on King Salman's orders. In other oil news, the International Energy Agency (IEA) believes global oil markets will tighten toward the end of 2018 due to strong demand and uncertainty of production in some countries.

On the global front, the S&P 500 gained 3.03% (YTD +8.52%) and the Dow Jones Industrial Average Index rose by 2.16% (YTD +5.04%). Conversely, the FTSE 100 declined by 4.08% (YTD -33.32%) and the UK's International Trade Secretary, Liam Fox, said that a Brexit no-deal outcome is more likely than not. At the same time, the German DAX dropped 3.45% (YTD -4.29%) and the French CAC 40 lost 1.90% (YTD +1.77%). The Nikkei Index gained 1.38% (YTD +0.44%), while the Hang Seng Index shed 2.43% (YTD -6.79%) and the Shanghai Composite fell by 5.25% (YTD -17.60%).

We have taken the opportunity of some corrections to regain selective exposure in positions that have repriced recently. We continue to maintain a fundamentally based approach to security selection and holdings.



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.

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.

