

IIAB MENA Feeder Fund

Performance Report 30.12.22

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$6.06**

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

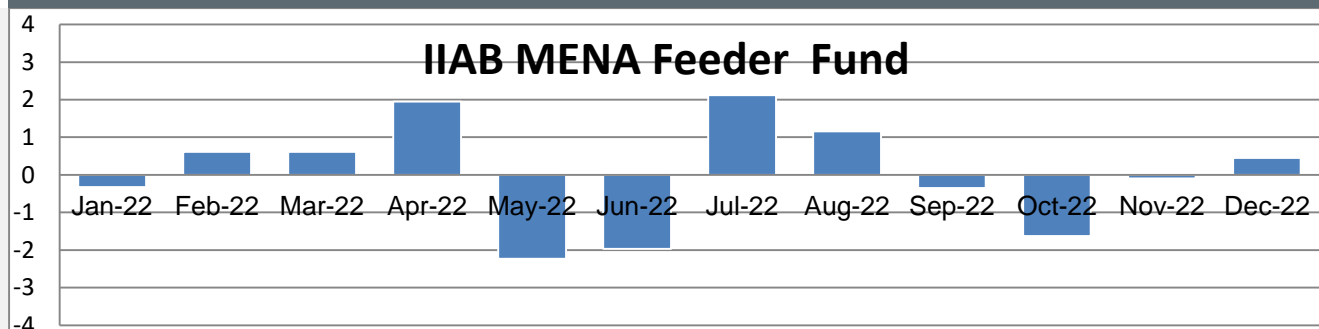
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 3,032,436	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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													
2022	-0.32	0.61	0.95	1.95	-2.23	-1.97	2.12	1.16	-0.35	-1.63	-0.09	0.45	0.54
2021	1.51	-2.25	-0.47	0.38	3.29	0.26	-0.99	1.98	-1.45	2.76	0.63	0.73	6.42
2020	0.08	-2.49	-11.71	6.53	-1.71	2.38	-0.57	1.42	1.86	-0.73	2.70	2.33	-1.03
2019	2.36	1.05	0.80	2.62	-1.28	-0.72	3.56	-1.14	-0.81	-0.51	-0.50	0.72	6.18
2018	-1.05	-1.00	1.24	-0.01	-0.86	-0.24	-2.00	-0.23	-1.86	-0.69	0.10	-1.37	-7.74
IIAB Islamic MENA Fund (Master Fund)													
2022	-0.25	0.65	0.99	1.95	-2.12	-1.87	2.29	1.27	-0.31	-1.63	-0.02	0.54	1.37
2021	1.54	-2.15	-0.40	0.43	3.29	0.32	-0.90	2.00	-1.36	2.76	0.67	0.77	7.02
2020	0.15	-2.41	-11.50	6.49	-1.63	2.40	-0.49	1.46	1.89	-0.65	2.71	2.36	-0.32
2019	2.41	1.10	0.85	2.65	-1.24	-0.67	3.57	-1.08	-0.76	-0.45	-0.45	0.77	6.76
2018	-0.96	-0.92	1.30	0.06	-0.81	-0.17	-1.94	-0.18	-1.80	-0.64	0.15	-1.31	-7.03

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

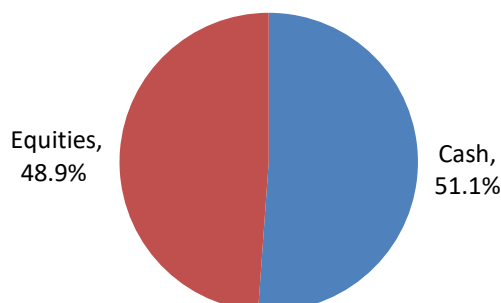
	Portfolio
Annualised return	-2.6%
Annualised volatility	12.9%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.5%
Worst 12 months	-72.3%
Best 12 months	94.1%

TOP TEN HOLDINGS (MASTER FUND)

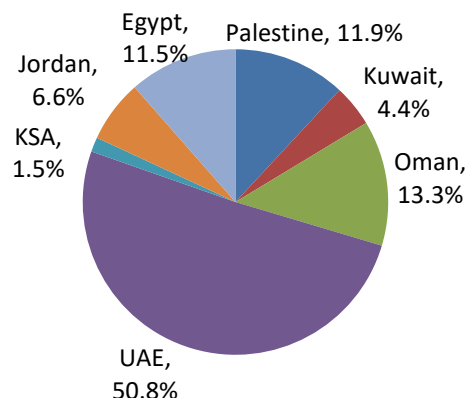
	Country	%
Dubai Islamic Bank	UAE	10.55%
OOREDOO OMR	Oman	6.48%
Emaar Properties Company	UAE	6.01%
Palestine Telecommunications Company	Palestine	5.82%
Cairo Investment & Real Estate Development	Egypt	3.63%
Aramex	UAE	3.28%
Al Yah Satellite Communications Company	UAE	2.60%
Jordan Islamic Bank	Jordan	2.47%
Dubai Electricity & Water AU	UAE	2.36%
Human Soft Holding Co	Kuwait	2.16%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA equity indices suffered from a sharp downturn in December to end the year, as a result of lower oil prices and heightened fears of a global recession brought on by higher interest rates and spiraling costs of living. The S&P Pan Arab Investable Index plunged by 4.24% (YTD -7.63%), and the Dow Jones MENA Index was down by a similar 4.31% (YTD -7.22%). The Arab Bank MENA Fund on the other hand ended December on the up, rising by 0.36% (YTD 2.08%). The Dow Jones Islamic Market MENA Index also headed south, recording losses of 4.97% (YTD -7.84%). Contrary to the benchmark index, the IIAB MENA Fund finished the month in the green, gaining 0.54% (YTD 1.37%). The IIAB MENA Feeder Fund consequently gained 0.45% (YTD 0.54%).

The performance of the region's equity markets was a mixed bag for the month of December. The list of advancing indices was headed by the Egyptian Stock Exchange which shot up 10.10% (YTD 22.17%) after the recent devaluation of the EGP. It was followed by the Omani Stock Exchange which recorded gains of 5.28% (YTD 17.63%), and the Bahraini Index which rose by 1.63% (YTD 5.45%). The list of gainers was rounded up by the Dubai Financial Market and the Jordanian ASE index which were up by 0.36% (YTD 4.39%) and 0.35% (YTD 18.08%) respectively. On the losing end the Qatari index was top, shedding 10.44% (YTD -8.13%) followed by the Kuwait Premier Market Index and Saudi Arabian TASI which lost 4.43% (YTD 6.24%) and 3.84% (YTD -7.12%) respectively. Finally, the Abu Dhabi Index rounded up the list of losers, dropping 3.23% (YTD 20.30%) during the month of December.

Global capital markets also experienced a downturn. All major indices, except for one, have recorded losses to end the year on a negative note. The S&P 500 Index shed 5.90% (YTD -19.44%), while the Dow Jones dropped by 4.17% (YTD -8.78%). In Europe, the French CAC 40 Index was down by 3.93% (YTD -9.50%), the German DAX fell 3.29% (YTD -12.35%) and the FTSE 100 had gone down by 1.60% (YTD 0.91%). In Asia, the Nikkei index had fallen by 6.70% (YTD -9.37%), while the Hang Seng was the sole winner on the back of China dropping its COVID restrictions, gaining by 6.37% (YTD -15.46%). Meanwhile, the Shanghai Composite fell 1.97% (YTD -15.13%).

December's headlining news was the US economic growth in the third quarter being firmer than previously estimated, reflecting upward revisions to consumer spending and business investment. Inflation-adjusted gross domestic product, or the total value of all goods and services produced in the economy, increased at a 3.2% annualized rate during the period, Commerce Department data showed. That compares with a previously reported 2.9% advance.

This came after the Federal Reserve raised its benchmark policy rate by half a percentage point and signaled its intention to keep squeezing the US economy next year, as central banks on both sides of the Atlantic enter a new phase in the battle against inflation. At its final gathering of the year, the Federal Open Market Committee voted unanimously to increase the federal funds rate to a target range of 4.25% to 4.5%.

In MENA news, Egypt hiked interest rates by 300 basis points, the most since 2016, seeking to tackle surging inflation amid expectations of a further devaluation of the pound. The Monetary Policy Committee raised the deposit rate to 16.25% and the lending rate to 17.25%. The jumbo hike comes as Egypt faces its worst foreign-exchange crunch in half a decade and the fastest acceleration in inflation in almost five years. Authorities in the Middle East's most populous country have devalued the local currency twice in 2022, most recently at the end of October, enacting sharp rate rises in both instances.

Moreover, the Central Bank of the United Arab Emirates (CBUAE) projected the real GDP to grow by 7.6% in 2022, instead of its previous expectation of 6.5%. In its Q3 Review, the apex bank attributed the upward review to the robust performance of some non-oil sectors, including tourism, hospitality, real estate and manufacturing. The review expected the non-oil GDP to grow by 6.1% in 2022, against 4.3% previously, with the oil GDP to expectedly grow by 11%.

In Oil news, OPEC+ responded to surging volatility and growing market uncertainty by keeping oil production unchanged. The outcome of the brief online meeting reflected the unpredictability of supply and demand in the coming months, and the wild price gyrations in the recent past. The oil producers' group had only just implemented the hefty 2 million barrel-a-day reduction agreed at its last gathering. Meanwhile, European Union sanctions on crude exports from Russia have come into effect.

As we bid farewell to 2022 and welcome 2023, we believe next year should bring some improvement to equity markets after a difficult 12



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months where the world grappled with spiraling inflation rates, historic interest rate hikes in a bid to contain it, and a major war in Europe that disrupted energy and food supplies.

Imminent lower rates after inflation seems to have stabilized, along with a slower progression of the war and its reduced relevance in news headlines should charge global equity markets again especially as most of the largest economies seem to have averted a dreaded recession.

Our cash position is still significant for the portfolio as we aim to buy opportunistically to benefit from the expected improvement in regional equity markets during the next year.

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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