

IIAB MENA Feeder Fund

Performance Report 31.01.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$5.79

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

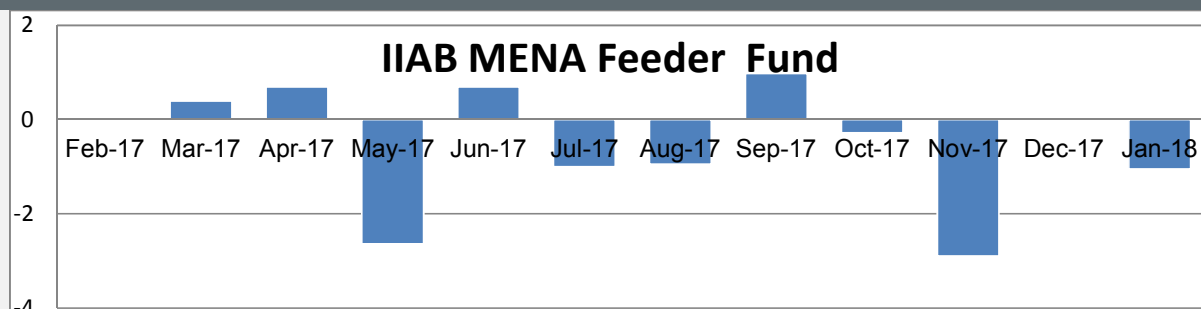
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,933,191	Fund manager	AB Fund Managers (Guernsey) Ltd
Launch date	28 February 2008	Investment advisor	Al Arabi Investment 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.
IIAB MENA Feeder Fund													
2018	-1.05												-1.05
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												-0.96
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



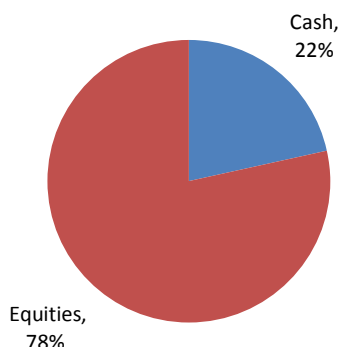
PERFORMANCE STATISTICS (MASTER FUND)

	Portfolio
Annualised Return	-4.6%
Annualised Volatility	14.7%
Sharpe Ratio	NM
Max month	8.3%
Min month	-25.6%
% Positive month	53.4%
Worst 12 months	-69.9%
Best 12 months	88.9%

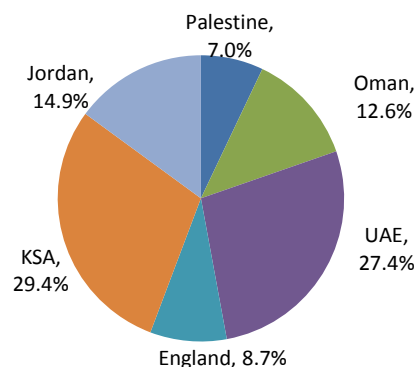
TOP TEN HOLDINGS (MASTER FUND)

	Country	%
Emaar Properties	UAE	10.25%
Dubai Islamic Bank	UAE	9.51%
Saudi Airlines Catering	KSA	9.30%
Siniora Food Industries	Jordan	9.13%
Ooredoo	Oman	8.59%
Hikma Pharmaceuticals PLC	England	5.76%
Palestine Telecommunication	Palestine	5.52%
Savola Group	KSA	5.22%
Herfy Food Services Co	KSA	2.65%
Dallah Health Care Holding	KSA	2.29%

ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets had an overwhelmingly positive start to the year. January saw the S&P Pan Arab Investable Index gain 4.61%, and the Dow Jones MENA Index rise by 5.10%. Islamic markets had similar performances as the Dow Jones Islamic Market MENA Index posted a 4.71% increase. The Arab Bank MENA Fund gained 0.23%, meanwhile the IIAB Islamic MENA Fund shed 0.96%. The AB MENA Feeder Fund advanced 0.16%, while the IIAB MENA Feeder Fund dropped 1.05%.

In regional indices, the best performer was, for the second consecutive month, the Qatari index, which advanced by 7.99%. The Saudi Arabian TASI was close behind, gaining 5.86% during the month. The Abu Dhabi Index also fared well as it appreciated by 4.63%, while the Dubai Index only managed a 0.72% gain. Furthermore, the Kuwaiti index rose by 4.37%, the Jordanian ASE Index increased by 3.13%, and the Bahraini Index gained 1.42%. In Egypt, the EGX30 Index went up by 0.15%. Finally, and contrary to the performance of the market as a whole, Oman's MSM30 Index lost 1.95% for the year.

Saudi Arabia and the UAE introduced value-added-tax (VAT) for the first time, with implementation starting from January 1st. A 5% VAT is now levied on the majority of goods and services, including petrol and diesel, food, clothes, and utility bills, whereas some services such as medical treatment, financial services, and public transport have been given a zero-tax rating or been exempt. The UAE has targeted around AED12 billion (USD3.3 billion) in VAT income for the first year. Other GCC states are planning to introduce VAT by the end of the year, although some, like Oman, will delay such an introduction until 2019.

The UAE and Tunisia are among eight countries the European Union removed from its tax haven blacklist. The tax haven list was released in December of last year and aimed at fighting global tax evasion. According to the UAE Ministry of Finance's undersecretary, the decision by the EU "reaffirms the UAE's commitment to transparency in tax procedures".

Kuwait announced its budget for the year ending on March 31, 2019. The government projected expenditures at KWD20 billion (USD66.7 billion) and revenues at KWD15 billion (USD50.1 billion), which indicates an expected budget deficit of KWD5 billion (USD16.7 billion). The Kuwaiti finance minister said the budget will be based on an average oil price of USD50 per barrel (compared to USD45 last fiscal year), and oil revenues are anticipated to reach KWD13.3 billion (up from KWD11.7 billion last fiscal year). The deficit will be financed through borrowing and tapping reserves.

The Sultan of Oman also approved the state's budget for 2018. The budget projects higher spending of OMR12.5 billion (USD32.5 billion) for the year, compared to OMR11.7 billion (USD30.4 billion) of planned spending in 2017. Furthermore, revenue is expected to come in at OMR9.5 billion (USD24.7 million). This leaves a planned deficit of OMR3 billion (USD7.8 billion), similar to the previous year's projected deficit. The budget assumes an average oil price of USD50 per barrel, therefore oil revenues are supposed to be significantly higher than expected if oil prices remains flat. OMR2.5 billion of the 2018 deficit will be financed through external and domestic borrowing, and OMR500 million will be covered by withdrawals from financial reserves.

In Saudi Arabia, the Attorney General has indicated that the value of settlements in the graft cases has surpassed SAR400 billion (USD107 billion). Settlements came as real estate, commercial entities, securities, and cash among other assets. However, authorities refused to settle with 56 suspects, who remain in custody, "due to other pending criminal cases".

Moody's Investors Service has maintained a negative outlook for the GCC's sovereign ratings in 2018. The negative outlook acknowledges the GCC's stifled economic growth and the structural challenges it faces, in addition to geopolitical disputes in the region. Moody's forecasts a slight pick-up in the GCC's GDP growth to 2% this year.

Brent Oil gained 3.26% to close at USD69.05 per barrel, although prices hovered above USD70 for the majority of the month. WTI Oil jumped by 7.13% to reach USD64.73 despite rising supply. According to Baker Hughes, U.S. rig count rose by 23 rigs over the four weeks starting January 5 and ending February 2. The Saudi Energy Minister stated that OPEC and non-OPEC producers will exit production cuts very gradually to avoid shocking markets in early 2019, when demand is usually at a seasonal low, although, OPEC and its non-OPEC allies agree that they should continue cooperating on production after their supply cut deal expires at the end of the year.

U.S. markets generally outperformed European markets. The S&P 500 gained 5.62% and the Dow Jones rose by 5.79%. It is also worth noting that the Volatility Index (VIX) rose by 22.64% for the first month of the year. In Europe, the French CAC 40 increased by 3.19% and the German DAX went up by 2.10%. European Central Bank Governing Council member, Klaas Knot, has said that he supports the idea that quantitative easing should not come to a sudden halt. Governing Council members endorse a gradual slowing of the asset purchase program after the current phase ends in September. Given the present pace of economic expansion, Knot is confident euro-area inflation will return to just under 2% in the medium-term.

On the other hand, the FTSE 100 dropped 2.01%. Mark Carney, Governor of the Bank of England, said he can focus on tackling inflation now that the drag on investment and the economy from Brexit has started to recede. Strong employment figures in addition to better-than-expected growth data have raised the chance of an interest rate hike in August or even May where previously November was seen as the most likely month.

Further east, the Nikkei Index gained 1.46%, the Shanghai Composite Index added 5.25%, and the Hang Seng, which overshadowed most of the other major indices, rose by 9.92%.

We have positioned the Fund's exposures for the coming period with cautious optimism, focusing on expected dividends in Q1. We nonetheless remain watchful for regional geopolitical tensions and rising volatilities in the global credit and equity markets.

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.

