

# IIAB MENA Feeder Fund

Performance Report 31.05.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$5.75

## 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

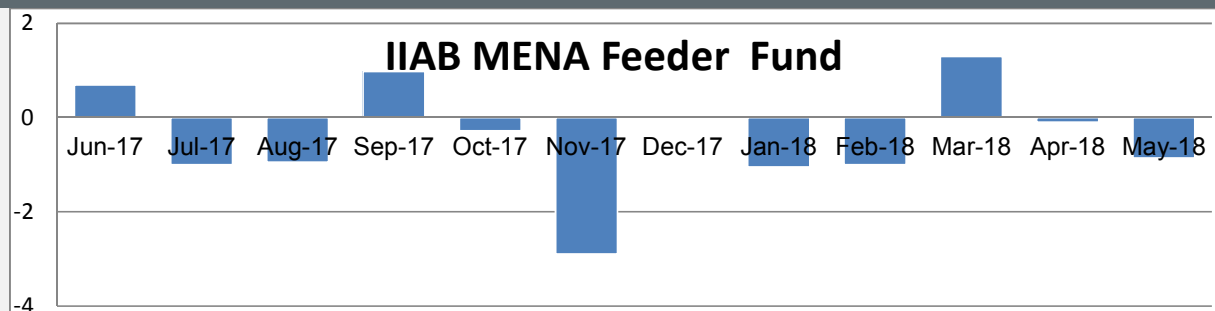
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,913,954	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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.
<b>IIAB MENA Feeder Fund</b>													
2018	-1.05	-1.00	1.24	-0.01	-0.86								-1.70
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								-1.34
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



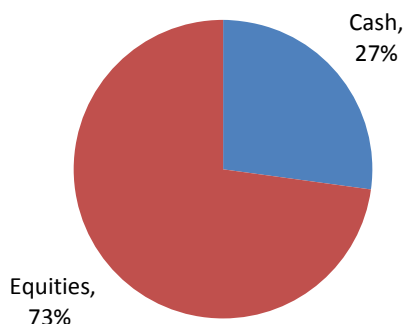
## PERFORMANCE STATISTICS (MASTER FUND)

	Portfolio
Annualised return	-4.5%
Annualised volatility	14.5%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	53.3%
Worst 12 months	-69.9%
Best 12 months	88.9%

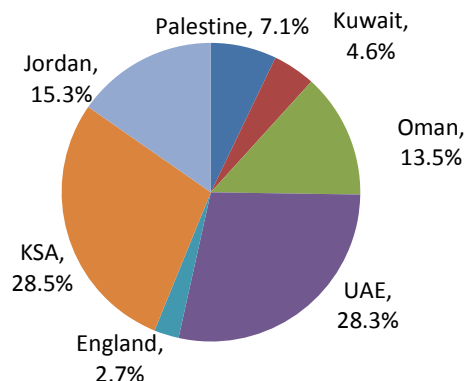
## TOP TEN HOLDINGS (MASTER FUND)

	Country	%
Saudi Airlines Catering	KSA	8.95%
Siniora Food Industries	Jordan	8.92%
Emaar Properties	UAE	8.69%
Ooredoo	Oman	8.63%
Dubai Islamic Bank	UAE	7.94%
Palestine Telecommunication	Palestine	5.17%
Savola Group	KSA	4.43%
Aramex	UAE	3.96%
Human Soft Holding	Kuwait	3.37%
Dallah Health Care Holding	KSA	2.91%

### ASSET ALLOCATION (MASTER FUND)



### GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



### COMMENTARY

The performance of the MENA markets was mixed in May, driven by a variety of factors. Markets in the region are usually seasonally slow in Ramadan and Summer, and this effect seemed to overshadow the effects of the increase in oil prices. The S&P Pan Arab Investable Index lost 3.61% during May, which nearly wiped out all gains made since the start of the year (YTD +0.08%), and the Dow Jones MENA Index lost 1.59% this past month, but remained up by 7.35% for the year. Likewise, the Dow Jones Islamic Market MENA Index fell by 1.38% (YTD +4.95%). The Arab Bank MENA Fund fell by 1.19% (YTD +1.28 %) and the IIAB Islamic MENA Fund shed 0.81% (YTD -1.34%). In turn, the AB MENA Feeder Fund lost 1.24% (YTD +1.03%) and the IIAB MENA Feeder Fund fell by 0.86% (YTD -1.70%).

Brent oil rose by 3.22% (YTD +16.03%) to close at USD77.59. OPEC output fell on declining production in Venezuela and lower shipments from some African producers. Moreover, U.S. President Donald Trump abandoned an international nuclear deal with Iran, which likely curbed OPEC-member's exports further in what seemed to be an already tight market. Meanwhile, WTI oil went down 2.23% (YTD +10.96%) to close at USD67.04 as the U.S. added around 30 oil rigs, according to the Baker Hughes Inc.'s Rig Count Report.

The rise in Brent oil seemed to have given slight support to some regional markets, as the general trend in market performance in May was negative. The Saudi Arabian TASI shed 0.58%, which hardly scathed its year-to-date performance of 12.94%. The Abu Dhabi Index lost 0.38% (YTD +4.70%) and the DFM General Index dropped 3.32% (YTD -12.05%). Kuwait's newly introduced Premier Market Index fell by 1.84% during the month (-5.16% since the index's inception on April 1st). In addition, the Qatari Index lost 2.54% (YTD +4.19%), the Omani MSM30 Index dropped 2.59% (YTD -9.66%), while the Bahraini Index gained 0.63% (YTD -4.95%). Outside the GCC, the Jordanian Index slid down by 4.36% (YTD -1.45%), and the Egyptian EGX30 Index lost 10.28% (YTD +9.29%) erasing most of its 12.78% gain made in April.

In regional news, Qatar announced that it would be moving ahead with legislation to allow 100% foreign ownership of companies operating in the country. Investors will be permitted to hold up to 49% in listed companies, or larger stakes contingent on government approval. To add to that, the government will provide incentives (unspecified as of yet) to promote foreign investment. According to the official Qatar News Agency, no details were disclosed on when the law will be enacted. Qatar also banned all goods from the UAE, Saudi Arabia, Bahrain and Egypt this month. The move comes almost a year after the four Arab countries cut ties with Qatar, accusing it of supporting terrorism. A circular from the Ministry of Economy and Commerce requested traders to stop dealing in products imported from the four countries and said that it would monitor compliance with the new policy.

The International Monetary Fund (IMF) expects the GCC's GDP to grow at a rate of 1.9% this year, and 2.6% next year. In 2019, non-oil GDP growth is expected to remain stable at 2.7%, while oil-GDP growth is projected at 2.2% to include the effects of higher oil production. At the same time, the state of Bahrain's finances continues to be of large concern to the IMF. The organization has recommended the kingdom urgently reforms its finances to cut its growing budget deficit, which continues to strain its currency peg. Investors have also expressed their concerns over the country's debt burden in light of U.S. interest rate hikes. However, Central Bank Governor, Rasheed Al-Maraj, in an effort to lull negative sentiment, said the country has enough reserves to maintain its currency peg. Higher oil prices have eased some pressure, and the implementation of a value-added-tax next year should also help generate revenue.

Globally, market performances were mixed. In the U.S., the S&P 500 gained 2.16% (YTD +1.18%) and the Dow Jones Industrial Average Index gained 1.05% (YTD -1.23%). The FTSE 100 also rose by 2.25% (YTD -0.12%), while other European markets declined. The French CAC 40 lost 2.21% (YTD +1.62%) and the German DAX slipped by 0.06% (YTD -2.42%). In Asian markets, the Nikkei lost 1.18% (YTD -2.47%), the Hang Seng dropped 1.10% (YTD +1.84%). However, the Shanghai Composite gained 0.43% (YTD -6.40%).

According to Philadelphia Federal Reserve President, Patrick Harker, the current cycle of interest rate hikes could end in 2019. He believes the U.S. is approaching neutral territory, and, as a one of the more hawkish central bankers, he would be open to a fourth hike this year if inflation starts to accelerate. Policy doves, on the other hand, were pleased to hear the FOMC would be willing to let inflation run above the Fed's 2% target temporarily.

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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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.

