

IIAB MENA Feeder Fund

Performance Report 31.10.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.72**

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

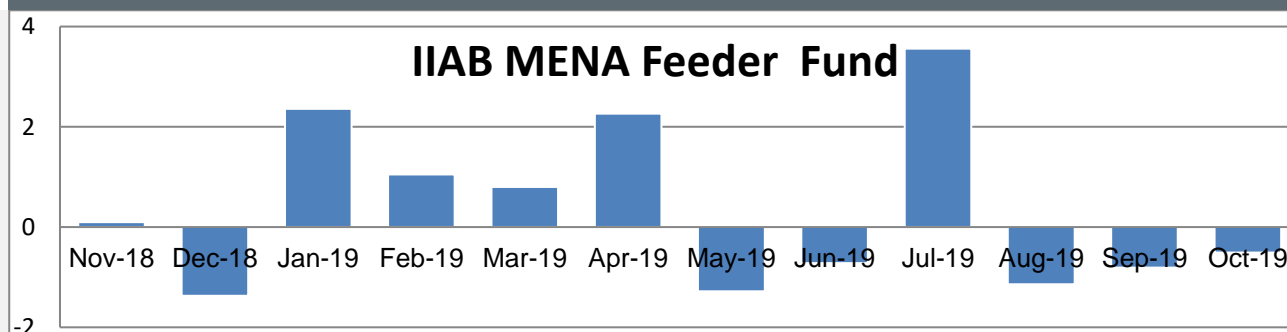
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,897,400	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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													
2019	2.36	1.05	0.80	2.62	-1.28	-0.72	3.56	-1.14	-0.81	-0.51			5.94
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
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
IIAB Islamic MENA Fund (Master Fund)													
2019	2.41	1.10	0.85	2.65	-1.24	-0.67	3.57	-1.08	-0.76	-0.45			6.42
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
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

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

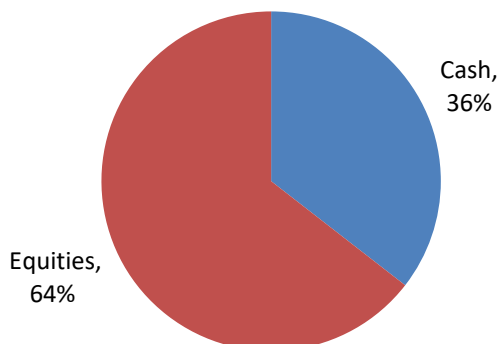
	Portfolio
Annualised return	-4.0%
Annualised volatility	13.7%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.1%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS (MASTER FUND)

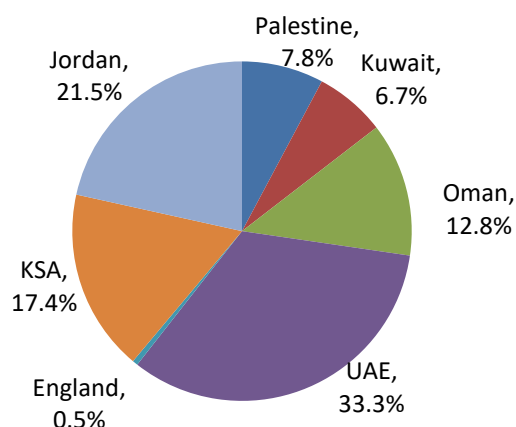
	Country	%
Siniora Food Industries	Jordan	12.26%
Dubai Islamic Bank	UAE	8.96%
Ooredoo	Oman	8.23%
Saudi Airlines Catering	KSA	6.72%
Aramex	UAE	6.64%
Emaar Properties	UAE	5.87%
Palestine Telecommunication	Palestine	5.03%
Human Soft Holding	Kuwait	4.35%
Savola Group	KSA	2.88%
Arab Pesticide And Veterinar	Jordan	1.64%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA equity market indices continued on their downward trajectory that started when markets took a negative turn in July. The Dow Jones MENA Index shed 1.89% for the month but managed to remain in positive territory for the year (YTD +2.15%). What is more, the S&P Pan Arab Investable Index and the Dow Jones Islamic Market MENA Index fell to their lowest point in 2019 and brought their year-to-date performances into the red; the S&P Pan Arab Investable Index dropped 2.22% (YTD -1.73%) and the Dow Jones Islamic Market MENA Index fell by 2.75% (YTD -2.00%).

Your equity funds were down for the month but maintained significant year-to-date gains. The Arab Bank MENA Fund shed 0.65% (YTD +5.58%) and the IIAB Islamic MENA Fund lost 0.45% (YTD +6.42%). In turn, the AB MENA Feeder Fund lost 0.04% (YTD +5.58%) and the IIAB MENA Feeder Fund fell by 0.51% (YTD +5.94%).

In regional equity markets this October, the Qatari Index dropped 1.72% and now, once again, returns negative yield on a year-to-date basis (YTD -1.07%). The Kuwait Premier Market Index gained 0.59% (YTD +17.92%), Oman's MSM30 Index slipped 0.44% (YTD -7.49%), and the Bahraini Index rose 0.44% (YTD 13.91%). In the UAE, Abu Dhabi appreciated 1.00% (YTD +3.92%) and the DFM General Index lost 1.23% (YTD +8.59%). Outside the GCC, the Jordanian Index fell by 1.50% (YTD -5.69%) and the EGX30 jumped 2.11% (YTD +11.68%).

The decline in regional indices could be attributed in part to the substantial decline in the Saudi Arabian equity market. The TASI dropped 4.30% (YTD -1.06%), among the worst in the world, even as emerging market equities witnessed their best October since 2015. The decline comes as Aramco, the national oil company, accelerates preparation for an IPO that could happen as early as November. Analysts believe the IPO is happening at a time when there is not sufficient demand and investors are thus unloading Saudi stocks to make room for Aramco. The company was targeting a USD2 trillion valuation, but the kingdom recently expressed it was ready to accept a valuation of USD1.6 to USD1.8 trillion to ensure that the IPO is successful. Trading in the shares is expected to start on December 11.

In the oil market, OPEC and its allies expressed their worries over demand growth in 2020 and are currently considering whether to deepen crude oil supply cuts during their meeting this coming December. However, before the decision can be made, Saudi Arabia wants to focus first on boosting adherence to the production-reduction pact by all members of the alliance known as OPEC+, which includes Russia and other non-OPEC members. The Group's largest producer has been making it clear that prices are up because of their over-compliance; OPEC+ will not cut deeper before countries, specifically Iraq and Nigeria, comply 100%. This month, Brent oil lost 0.90% (YTD +11.95%) while WTI oil gained 0.20% (YTD +19.31%).

In the most recent FOMC meeting, Federal Reserve officials cut rates for the third time this year and signaled a pause in further cuts as long as the economic outlook does not change materially. As in the September statement, the Fed cited the implications of global developments in deciding to lower the target range for the benchmark rate to 1.5% - 1.75%.

In response to the rate cut in the U.S., Saudi Arabia, the United Arab Emirates and Bahrain, whose currencies are pegged to the US dollar, cut their benchmark rates by the same margin. Kuwait also joined the Federal Reserve-led monetary easing cycle after holding rates steady in July and September. According to the Central Bank of Kuwait, it cut its discount rate by 25bps to 2.75% in order to maintain a comfortable margin for the Kuwaiti dinar and support investment. In Egypt, the Central Bank of Egypt (CBE) cut interest rates for the third time this year after pivoting to monetary easing in August as a result of a drastic slowdown in inflation. The CBE said the decision was consistent with achieving an inflation target of 9%, plus or minus 3%, by the end of 2020, and future decisions will remain a function of inflation expectations rather than prevailing inflation rates.



Global markets fared much better than did those in the MENA region. In the U.S., the S&P 500 rose 2.04% (YTD +21.17%) and the Dow Jones Index gained 0.48% (YTD +15.94%). Similarly positive performances were seen in Europe, where the German DAX Index jumped 3.53% (YTD +21.86%) and the French CAC 40 rose 0.92% (YTD +21.12%). However, the UK's FTSE 100 Index fell 2.16% (YTD +7.73%) as Brexit negotiations weighed down on the stock market, the pound, housing prices, and general investor sentiment. In Far East Asia, the Nikkei Index appreciated by an impressive 5.38% (YTD +14.55%), the Hang Seng rose 3.12% (YTD +4.11%), and the Shanghai Composite Index gained 0.82% (YTD +17.45%).

We remain cautious and opportunistic given pending global economic and geopolitical risks and uncertainties. Brexit, trade wars spreading over to blocks or countries other than China, as well as the volatility in benchmark yield curves, are just to name a few of the known market shockers. In addition, the rising geopolitical friction in the MENA region, and oil prices large swings, also incline us to adapt to more conservative allocations. As such, we have lightened allocations to markets where valuations remain stretched, due to their higher sensitivities at current price levels. With a healthy cash position, we will keep hunting for deep value plays, gradually rebuilding the risk positions that were reduced during the 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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