

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 28.02.20

## NAV PER SHARE

\$9.21

## OBJECTIVE OF THE FUND

The IIAB Sukuk & Murabaha MENA Fund is a medium to long-term, medium-risk investment vehicle with particular focus on sukuk, murabaha and sharia' compliant cash transactions, initiated out of the Middle East & North Africa region. The Fund seeks to earn the highest level of current income, while aiming to achieve a net return exceeding three month USD LIBOR on annualized basis.

## KEY FEATURES

<b>Domicile</b>	Guernsey Channel Islands	<b>Valuation point</b>	Monthly, last business day of the month
<b>Reference currency</b>	USD	<b>Minimum subscription</b>	USD 25,000 & USD 1,000 thereafter
<b>Fund assets</b>	8,039,869	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
		<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Launch date</b>	28 February 2008	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	IIABSUK GU Equity

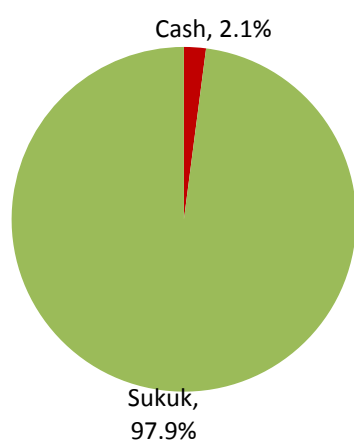
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16											0.36
Benchmark	0.16	0.15											0.31
2019	1.17	0.55	0.91	0.62	0.41	0.86	1.01	0.54	0.02	0.03	-0.02	0.39	6.68
2018	-0.23	-0.68	-0.30	-0.20	-0.40	0.09	0.69	0.24	0.18	-0.25	0.05	0.12	-0.68
2017	0.45	0.30	0.07	0.20	0.02	-1.04	0.60	0.21	-0.11	0.00	-0.49	0.13	0.32
2016	-1.47	1.26	0.50	0.25	0.00	0.47	0.50	0.10	-0.07	-0.12	-0.48	0.19	1.13
2015	0.39	0.37	-0.33	0.56	0.21	-0.57	0.49	-0.51	-0.10	0.04	-1.36	-0.10	-0.91

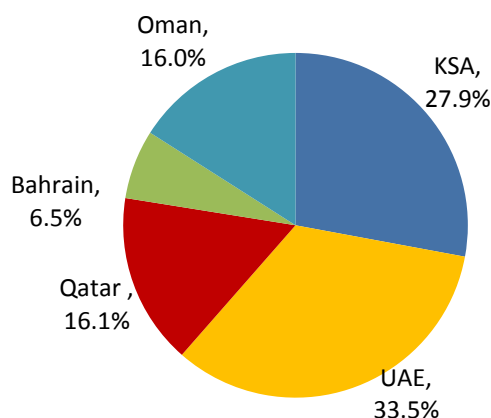
## ASSET ALLOCATION (%)

	Actual
Cash	2.10%
Sukuk	97.9%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

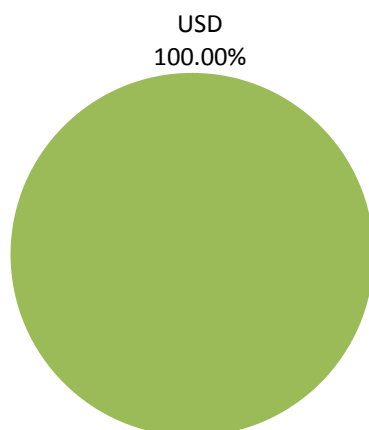


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Oman Sovereign Sukuk	9.48%
Sharjah Islamic Bank Sukuk	8.76%
First Abu Dhabi Bank Sukuk	6.46%
State of Qatar Sukuk	6.44%
CBB International Sukuk Company	6.39%
Dubai Islamic Bank Sukuk	6.39%
Arabian Centers	6.38%
Kingdom of Saudi Arabia	6.35%
Saudi Electric Co. Sukuk	6.29%
Oman Sovereign Sukuk	6.24%

## COMMENTARY

Global Sukuk prices rose for the second time this year with the Dow Jones Sukuk Index gaining 0.49% (YTD +1.59%) and the regional S&P MENA Sukuk Index rising 0.53% (YTD +1.71%). The IIAB Sukuk & Murabaha MENA Fund inched down by 0.16% (YTD 0.36%).

With ample global liquidity and low to negative yields, non-sovereign GCC issuers have been especially active in 2020 with a series of US dollar-denominated Sukuk issuances worth a total of USD2.85 billion.

In new issuances, Saudi Arabia's Dar Al-Arkan Real Estate Development Company raised USD400 million from the sale of a new 7-year Sukuk. Rated 'B1' by Moody's, the Sukuk carries a profit rate of 6.875%. The paper was listed on Nasdaq Dubai bringing Dar Al-Arkan's total listed value to USD2 billion. Meanwhile, Riyadh Bank sold USD1.5 billion tier 2 subordinated Sukuk. The paper has a maturity of 10 years (non-callable for 5) and a profit rate set at 3.174%.

Elsewhere in the region, Bahrain's GFH Financial Group raised USD300 million through a five-year Sukuk issuance, which was listed on Nasdaq Dubai. The Sukuk was oversubscribed 2.5 times, with a total book size exceeding USD750 million. Fifty-three per cent was allocated to regional investors and 47 per cent to international investors. In addition, Kuwait's Boubyan Bank raised USD750 million from a new 5-year Sukuk issue. The bank is rated 'A3', 'A', 'A+' by Moody's, S&P, and Fitch, respectively. The final profit rate was set at 2.539%.

Egypt is moving closer to its first issuance with the Ministry of Finance passing a draft of the Sovereign Sukuk Act to cabinet for review. After the cabinet approves the legislation, it will be sent to the House of Representatives for discussion and a general assembly vote, three months after which executive regulations will come into force.

In interest rate news, the Central Bank of Kuwait cut the repo rate by 25bps and the deposit rate by 50bps. The move should be positive for its banks' net interest margins in 2020. And in Egypt, the Central Bank's Monetary Policy Committee (MPC) maintained policy rates at their current level. While noting the retreat in oil prices and easing global financial conditions, the MPC said the coronavirus outbreak could weigh on the global economic outlook.

In credit updates, Fitch Ratings affirmed Qatar's long-term foreign currency debt rating at 'AA-' with a stable outlook. In addition, Turkey's sovereign assessment was left unchanged by Fitch at 'BB-' and by S&P at 'B+', both with stable outlooks. The agencies cited Turkey's ongoing economic recovery including healthy economic growth, lower inflation, and improved current account, although weak monetary policy credibility and deeper-than-expected cuts in the policy interest rate provide higher risk of market volatility.



In positive developments, Moody's changed the Tunisian government's issuer rating outlook to 'stable' from 'negative'. The rating agency cited stability in the balance of payments and the debt burden.

On the other hand, the Emirate of Sharjah's long-term rating was downgraded by Moody's to 'Baa2' from 'A3', and downgraded by S&P to 'BBB' from 'BBB+', the second lowest investment grade on both rating scales. The agencies stated that the outlook remains stable for the emirate.

At the same time, Lebanon was hit with a double downgrade by Moody's and S&P, as the country's bondholders brace for a potential default next month. The country was downgraded by Moody's to 'Ca' and by S&P to 'CC' putting it among the likes of Argentina, Mozambique, and other nations at the edge of default. Analysts wrote that social unrest coupled with a contracting economy and a private sector dealing with intense liquidity pressures will make it politically difficult to repay creditors in 2020. The country's plans for an economic overhaul will most likely bear substantial losses for domestic and foreign creditors, including bond write-downs in the range of 35%-65% of face value. An "extremely weak track record on policy implementation" was a risk to securing external financing, according to Moody's. Still, the haircut forecast by the agency is smaller than the losses priced in by bond traders.

The Fund closed the month positioned with an overall weighted average maturity of 3.15 years, and a weighted average yield to maturity (YTM) of 2.97%.

### INVESTMENT METHODOLOGY AND APPROACH

AB Invest is one of the most experienced and fastest growing MENA investment managers operating out of Jordan. AB Invest provides its clients with a number of MENA-focused investment solutions on conventional and Sharia-compliant bases. Our investment process is based on rigorous fundamental analysis with a view on delivering superior risk-adjusted returns, using a combination of top-down and bottom-up approaches. Our deep knowledge of the markets in which we invest allows us to deliver consistent returns while prudently managing risk.

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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.

