

IIAB Sukuk & Murabaha MENA Fund

Performance Report 28.02.22

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.31

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

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	8,122,834	Fund Manager	AB Fund Managers (Guernsey) Ltd
		Investment Advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 7 business days prior to month end
Listing	CISX	BBG code	IIABSUK GU Equity

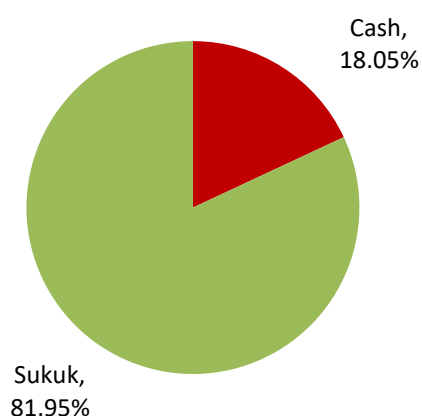
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33											-0.87
Benchmark	0.02	0.03											0.04
2021	0.26	-0.14	-0.20	0.29	0.29	-0.06	-0.06	-0.05	-0.10	-0.05	-0.65	0.19	-0.30
2020	0.52	-0.16	-4.83	1.66	1.00	1.43	0.72	0.52	0.03	0.35	0.88	0.60	2.59
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

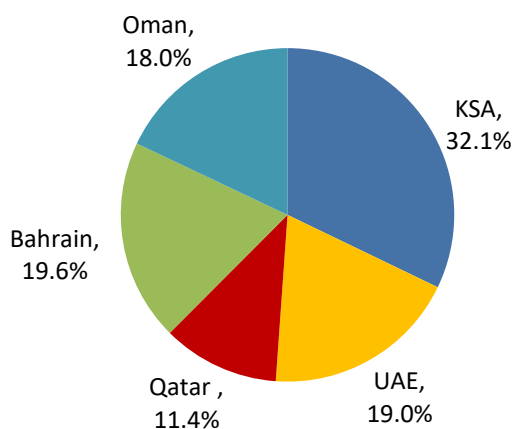
ASSET ALLOCATION (%)

	Actual
Cash	18.05%
Sukuk	81.95%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

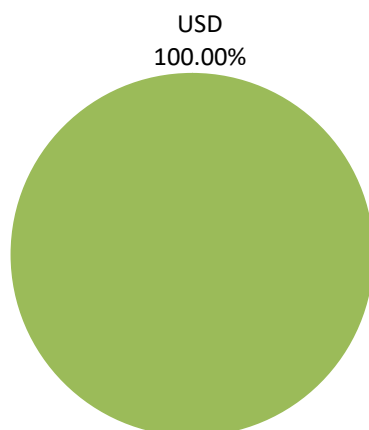


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.97%
OMAN SULTANATE	9.42%
First Abu Dhabi Bank Sukuk	6.26%
State of Qatar Sukuk	6.25%
Dubai Islamic Bank Sukuk	6.25%
Kingdom of Saudi Arabia	6.17%
Saudi Electric Co. Sukuk	6.15%
CBB International Sukuk Company	6.12%
Arabian Centres	6.04%
KSA Sukuk Limited	5.00%

COMMENTARY

Fixed income instruments continued their slide during February as the date of the fed rate hike approaches, and the war in Ukraine accelerated the shift away from risky assets towards safe-haven assets. The Dow Jones Sukuk Index has shed 1.30% (YTD -3.14%) while the S&P MENA Sukuk Index lost 0.84% (YTD -2.28%). The IIAB Sukuk & Murabaha MENA Fund followed suit, falling by 0.33% (YTD -0.87%).

In February's major news, President Joe Biden and other US allies in Europe and across the world imposed stiff sanctions on Russia as a result of its invasion of Ukraine as Western nations warned that Kyiv could fall, with Ukraine's foreign minister saying the capital was hit with rocket strikes. Russian tanks, troops and aircraft pushed closer to Kyiv. Biden promised to inflict a "severe cost on the Russian economy" that will hamper its ability to do business in foreign currencies. Other sanctions imposed included limiting Russia's access to the SWIFT money transfer system in addition to freezing the assets of the central bank and numerous individuals that are close to the administration.

U.S. consumer prices surged in January by more than expected, sending the annual inflation rate to a fresh four-decade high and adding more urgency to the Federal Reserve's plans to start raising interest rates. The consumer price index climbed 7.5% from a year earlier following a 7% annual gain in December, according to Labor Department data released in February

In regional news, UAE banks are expected to benefit from the planned increase in interest rates by the US Federal Reserve due to higher profitability, according to a report from S&P Global Ratings. The Central Bank of the UAE usually follows moves by the Fed on interest rates, as the country's currency is pegged to the US dollar.

Bahrain's Oil & Gas Holding Company (Nogaholding) has hired Gulf International Bank (GIB) and Mashreq to refinance an existing USD1.6 billion murabaha facility. Nogaholding, which last year said it aimed to expand beyond oil and gas and look at the transition to greener energy, has previously raised funds in the debt capital markets, including a USD600 million sukuk issuance in 2021.

In ratings news, Moody's Investors Service assigned an A1 long term issuer rating and a1 Baseline Credit Assessment to the Public Investment Fund (PIF) of Saudi Arabia, the kingdom's sovereign wealth fund. The agency also assigned an Aaa long term issuer national scale rating for PIF. The outlook on all ratings is stable. This is the first time Moody's has assigned a rating to PIF. Moreover, Fitch Ratings has revised Ahli Bank of Oman outlook to Stable from Negative and affirmed the bank's Long-Term Issuer Default Rating at 'B+'. Fitch has also affirmed the bank's Viability Rating at 'b+'. The rating actions follow a similar action on Oman's sovereign rating on 20 December 2021. Fitch has also revised its outlook on the Omani operating-environment score to stable from negative.

In Issuance updates, First Abu Dhabi Bank rated Aa3/AA-/AA- by Moody's/S&P/Fitch (all with a stable outlook) raised USD500 million through the sale of its 5 year Reg S Sukuk. The issue was priced at a spread of 70 bps over T 1.5. Furthermore, Riyadh Bank, sold USD750 million in Additional Tier 1 (AT1) Islamic sukuk linked to sustainability at 4.0%. The yield was tightened from initial price guidance of around 4.375% after demand exceeded USD3 billion. Finally, Dubai Islamic Bank, sold USD750 million in five-year senior unsecured sukuk after the debt sale drew more than USD1.6 billion in orders. The bonds launched at 95 basis points (bps) over U.S. Treasuries, tightened from initial guidance of around 120 bps over.



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The Fund was 82.92% invested at the end of the month of February. It was positioned with an average yield to maturity of 1.20% and an average maturity of 1.75 years.

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.

DISCLAIMER

Whilst the information contained in this report is provided in good faith, no representation or warranty, express or implied, is made to its accuracy or completeness.

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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.

