

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 28.05.21

A protected cell of the IIAB PCC Ltd

## NAV PER SHARE

\$9.46

## 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>	8,258,954	<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

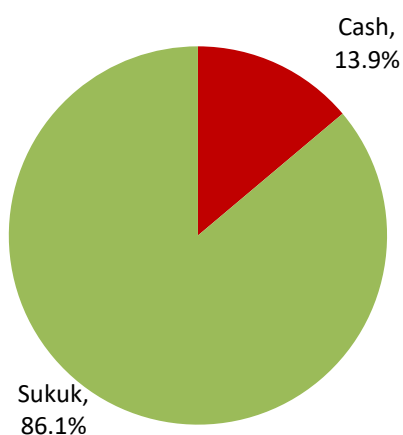
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26	-0.14	-0.20	0.29	0.29								0.49
Benchmark	0.02	0.02	0.02	0.02	0.01								0.08
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
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

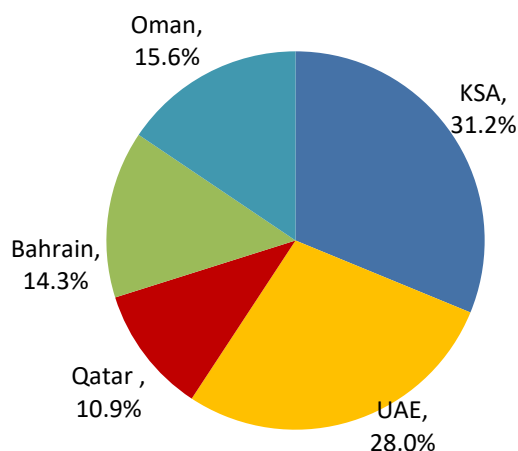
## ASSET ALLOCATION (%)

	Actual
Cash	13.9%
Sukuk	86.1%

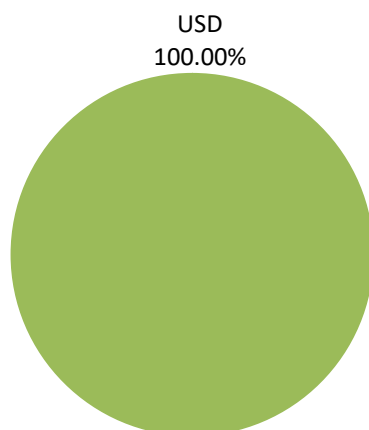
## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)



## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

OMAN SULTANATE	9.44%
Sharjah Islamic Bank Sukuk	8.52%
First Abu Dhabi Bank Sukuk	6.36%
State of Qatar Sukuk	6.33%
Arabian Centres	6.32%
Dubai Islamic Bank Sukuk	6.31%
Saudi Electric Co. Sukuk	6.22%
CBB International Sukuk Company	6.21%
Kingdom of Saudi Arabia	6.19%
CBB International Sukuk Company	6.18%

## COMMENTARY

Fixed income asset price rose for the second straight month, despite rising inflationary pressures and fears a US Fed taper action is near. The Dow Jones Sukuk Index has nudged up 0.25% (YTD -1.08%) while the S&P MENA Sukuk Index gained 0.55% (YTD 0.63%). The IIAB Sukuk & Murabaha MENA Fund followed suit, inching up by 0.29% (YTD 0.49%).

During the month of May, a US proposal for a global minimum corporate tax of at least 15% met an enthusiastic reception in Europe, bringing the world closer to a deal on sweeping changes to how much multinationals pay taxes, and to which governments. The latest pitch in the race for an accord between 139 countries is less than the 21% rate the US previously suggested for overseas earnings of its businesses.

In regional news, S&P Global Ratings said budget deficits of the six Gulf Cooperation Council countries are expected to drop sharply this year, supported by higher oil prices, fiscal consolidation and a rebound in economic output as coronavirus measures are eased. The aggregate deficits of the central governments of the GCC are expected at about USD80 billion this year from USD143 billion in 2020. Moreover, the rapid rollout of the Covid-19 vaccine in the UAE could support a more rapid recovery in domestic tourism and provide a vital boost to the hospitality and retail sectors, Moody's Investor Service said as it forecast a stable outlook for the economy. The global rating agency gave the Arab world's second-largest economy Aa2 stable outlook and predicted the country's nominal GDP would bounce back to pre-pandemic levels over the next three years.

In related ratings news, Moody's Investors Service also affirmed the Aa2 long-term issuer rating of the UAE Government and maintained outlook at stable. The agency said the rating affirmation is supported by the relatively muted impact of the pandemic on the federal government's fiscal strength, in part the result of an effective government policy response to the pandemic. Furthermore, S&P Global affirmed Egypt's "B/B" sovereign credit rating as it expects the country's foreign exchange reserve buffers and its access to debt markets to help cover its temporarily higher external financing needs. Growth in the North African country, one of the few economies to escape a coronavirus-induced economic contraction in 2020, is expected to rebound next year, S&P said in its report. On the other hand S&P Global Ratings revised Bahrain's outlook to 'Negative' from 'Stable', citing the country's pace and ability to service its finances and external debt. The oil-producing Gulf state's economy contracted by 5.4% last year, the International Monetary Fund estimated, as the pandemic hurt vital sectors such as energy and tourism.

In energy news, OPEC, Russia and their allies will stick to plans for a phased easing of oil production restrictions from May to July amid upbeat forecasts for a recovery in global demand, and despite surging coronavirus cases in India, Brazil and Japan. A committee led by Saudi Arabia and Russia agreed the coalition should press on with its roadmap for increasing supply by 2 million barrels a day over the next three months, a decision that was later rubber-stamped in a statement from the whole group.



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In corporate news, a group of creditors opposed the terms of an offer by Dubai-listed Emirates REIT to exchange USD400 million in Islamic bonds for new instruments. Emirates REIT offered to exchange unsecured sukuk for secured ones as part of a revamp aimed at bolstering the sharia-compliant real estate investment trust's balance sheet, which has been hit by the coronavirus crisis. The plan envisages extending the bonds' maturity to 2024 from 2022, as well as a deferral of coupon payments for a year. Creditors will be given instead first-ranking mortgage security over certain assets in Dubai and its financial center with an aggregate value of about USD280 million.

The Fund was 86.1% invested at the end of the month of April. It was positioned with an average yield to maturity of 1.63% and an average maturity of 2.14 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

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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.

