

IIAB Sukuk & Murabaha MENA Fund

Performance Report 29.01.21

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.44

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	8,239,498	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

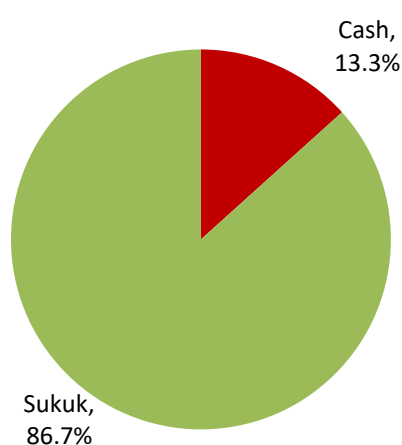
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26												0.26
Benchmark	0.02												0.02
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

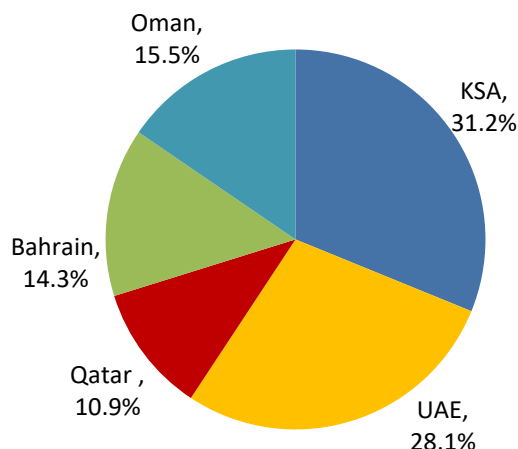
ASSET ALLOCATION (%)

	Actual
Cash	13.3%
Sukuk	86.7%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

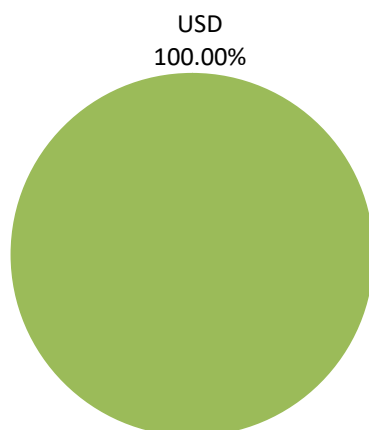


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Holder	Percentage
OMAN SULTANATE	9.39%
Sharjah Islamic Bank Sukuk	8.61%
First Abu Dhabi Bank Sukuk	6.41%
State of Qatar Sukuk	6.38%
Dubai Islamic Bank Sukuk	6.34%
Saudi Electric Co. Sukuk	6.26%
CBB International Sukuk Company	6.25%
Kingdom of Saudi Arabia	6.24%
CBB International Sukuk Company	6.23%
Arabian Centres	6.22%

COMMENTARY

MENA Sukuk benchmark indices started the year struggling for direction. The divergence in both of their performances only proves that. The Dow Jones Sukuk Index has shed 0.19% while the S&P MENA Sukuk Index posted a gain of 0.21%. The IIAB Sukuk & Murabaha MENA Fund managed to outperform both benchmark indices for the month, going up by 0.26%.

Starting the year on a positive note, the International Monetary Fund raised its forecast for global growth this year, betting the rollout of coronavirus vaccines and more fiscal stimulus will offset the immediate challenge posed by the resurgent pandemic. Global gross domestic product is expected to soar 5.5% this year, faster than the 5.2% projected in October.

In regional news, January marked the end of the three year blockade of Qatar by Saudi Arabia, the UAE, Bahrain and Egypt. As the quartet agreed to fully restore ties with embassies and land borders reopened and flights resumed. Fitch Ratings estimated that the resolution of the dispute between Qatar and its Gulf neighbors is expected to bolster prospects for the gas-rich nation's non-oil economy over the medium terms. Meanwhile, business activity in the Arab world's two largest economies improved at the end of last year, with Saudi Arabia seeing its strongest expansion in 13 months. After multiple 2020 setbacks caused by the spread of Covid-19 and lower crude prices, non-oil private sector economies in the United Arab Emirates and neighboring Saudi Arabia still faced job losses as firms adjusted to the challenges of the global pandemic.

In commodities, Saudi Arabia surprised the market with a large cut in crude production. The move papered over cracks in the OPEC+ coalition and was a U-turn from some recent Saudi oil-policy priorities. The kingdom pledged an additional unilateral cut of 1 million barrels a day in February and March, while most of the rest of the group kept output steady. Furthermore, Saudi Aramco will sell more shares as part of the kingdom's plan to boost the size of its sovereign wealth fund to USD1.1 trillion by 2025, according to Saudi Crown Prince Mohammed bin Salman.

Global sukuk issuances which have slowed in 2020 compared to the previous year is expected to pick up momentum in 2021 led by the GCC, and other key Islamic countries according to rating agency Standard & Poor's. S&P expects market conditions to remain buoyant throughout 2021, with record-low interest rates and abundant liquidity.

New issuances this month included First Abu Dhabi Bank (FAB) raising USD500 million from sale of 5-year Senior Unsecured Sukuk. The final coupon was set at 1.41%. Furthermore, National Commercial Bank, Saudi Arabia's biggest lender, sold USD1.25 billion in Tier 1 sukuk after receiving more than USD4.5 billion in orders for the sale. NCB sold the sukuk at 3.5%, the document from one of the banks on the deal showed, the lowest-ever launch yield for perpetual bonds out of the Gulf, and an indicator of the deep low yield environment investors are living.

Bahrain will likely need further financial support from its Gulf neighbors despite reform measures, according to Fitch Ratings. The agency said Bahrain, a small oil producer, was likely to need the support from 2023 onwards and cited Fitch's oil price assumption. In 2018, Saudi Arabia, the United Arab Emirates and Kuwait came to Bahrain's aid with a five-year zero-interest USD10.25 billion package to help it avoid a credit crunch.

The Fund closed the month positioned with an average yield to maturity of 1.77% and an average maturity of 2.47 years.



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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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This Fact Sheet is not an invitation to make an investment, nor does it constitute an offer for sale. In addition, it does not constitute as an advertisement in a country where the Fund is not registered for sale.

For the purposes of FSA regulation, the fund is defined as an "Unregulated Collective Investment Scheme" and the promotion of such schemes either within the UK or from the UK is severely restricted by statute. Consequently, this report is only made available to Professional Clients and Eligible Counterparties as defined by the Financial Services Authority and to persons falling within the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. The fund is only offered on the basis of the Offering Memorandum and any supplements thereto.

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.

