

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.07.22

NAV PER SHARE

\$9.16

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	7,993,120	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

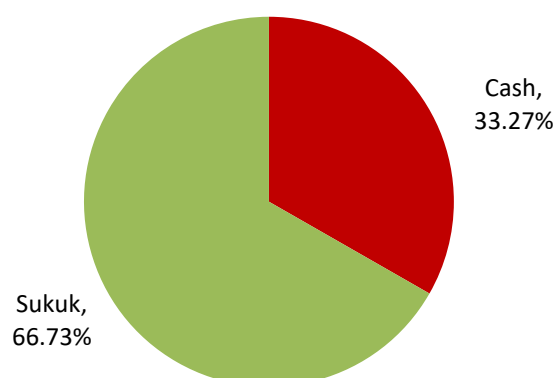
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78	0.38						-2.45
Benchmark	0.02	0.03	0.04	0.08	0.13	0.13	0.19						0.71
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

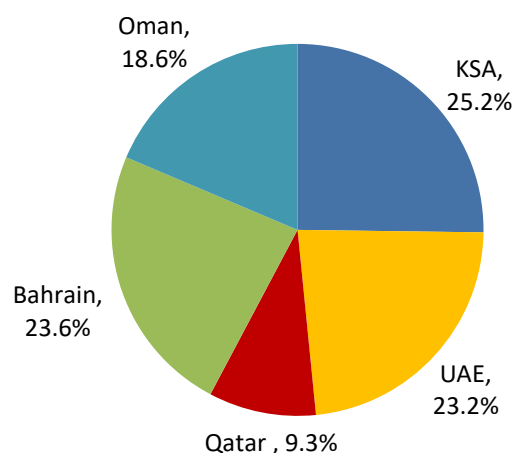
ASSET ALLOCATION (%)

	Actual
Cash	33.27%
Sukuk	66.73%

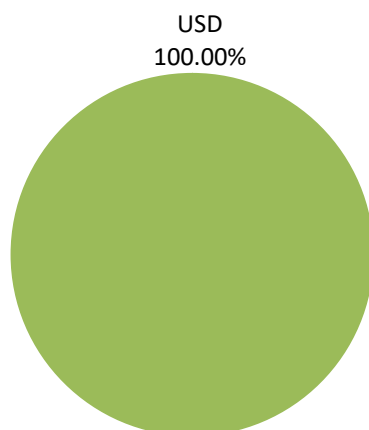
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

CBB International Sukuk Company	9.75%
OMAN SULTANATE	9.26%
Dubai Islamic Bank Sukuk	6.25%
First Abu Dhabi Bank Sukuk	6.25%
State of Qatar Sukuk	6.25%
Saudi Electric Co. Sukuk	6.12%
CBB International Sukuk Company	6.05%
Arabian Centres	5.91%
KSA Sukuk Limited	4.84%
Oman Sovereign Sukuk	3.20%

COMMENTARY

MENA sukuk indices rebounded during the month of July following a tough couple of months of spiraling inflation and interest rate hikes, most likely to take advantage of the attractive yields fixed-income securities now offer. The Dow Jones Sukuk Index has gone up 1.29% (YTD -7.78%), while the S&P MENA Sukuk Index gained 1.23% (YTD -5.55%). The IIAB Sukuk & Murabaha MENA Fund was on the same note, rising by 0.38% (YTD -2.45%).

In July's marquee news, Federal Reserve officials raised interest rates by 75 basis points for the second straight month and Chair Jerome Powell said a similar move was possible again, rejecting speculation that the US economy is in recession. Policy makers, facing the hottest cost pressures in 40 years, lifted the target for the federal funds rate to a range of 2.25% to 2.50%. That takes the cumulative June-July increase to 150 basis points -- the steepest since the price-fighting era of the early 1980s. Mr. Powell said it was too soon to say whether the Fed would dial down the size of its rate increases to a half-percentage point or a quarter-percentage point at its next meeting in September. He said that at some stage, it would be appropriate to slow the pace of rate increases to assess their cumulative impact on the economy.

In regional news, the UAE central bank's quarterly report indicated that total real GDP increased by 8.2% annually in the first quarter of 2022. The central bank expects real GDP to grow by 5.4% in 2022 and 4.2% in 2023 and expects non-oil GDP to increase by 4.3% and 3.9% in 2022 and 2023, respectively. The report also mentioned that there is a higher probability for growth being stronger, driven by higher oil production and by the government commitment to double the size of the manufacturing sector by 2031.

Moody's has lowered the 2022-23 economic growth forecasts for the US (Aaa stable) to incorporate the effect of Federal Reserve monetary policy becoming increasingly restrictive to tame surging inflation. The US macroeconomic cycle is at an inflection point with a downshift in growth clearly ahead, and much will depend on factors beyond the Fed's control, such as supply issues and energy prices.

In ratings updates, Moody's Investors Service downgraded the long-term foreign and local-currency issuer ratings and the foreign-currency senior unsecured ratings of the Government of Sharjah to Ba1 from Baa3, and changed the outlook on the issuer to stable from negative. The downgrade to Ba1 is driven by Moody's expectation of further significant deterioration in Sharjah's fiscal strength over the next few years, and the absence of a credible fiscal adjustment plan that would arrest and eventually reverse the upward trend in the emirate's debt burden and the weakening of its debt affordability metrics.

Furthermore, Kuwait's sovereign rating outlook was raised to stable from negative by S&P Global Ratings as higher oil prices bolster the OPEC nation's coffers. The stable outlook primarily reflects the favorable oil price and domestic production prospects over the next two years. S&P expects Kuwait to run a cumulative surplus of 18% of gross domestic product over 2022-23, given its estimate of the breakeven oil price of about USD75-USD80 a barrel.



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The Fund was 84.96% invested at the end of the month. It was positioned with an average yield to maturity of 1.12% and an average maturity of 1.39 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.

