

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.04.20

NAV PER SHARE

\$8.91

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	7,778,635	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

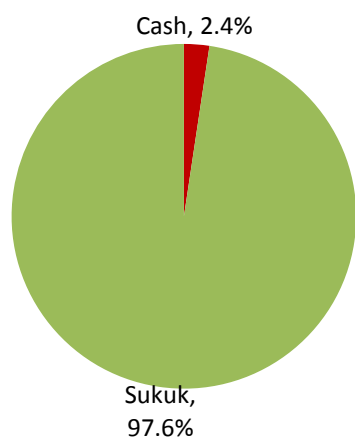
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66									-2.90
Benchmark	0.16	0.15	0.12	0.12									0.55
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

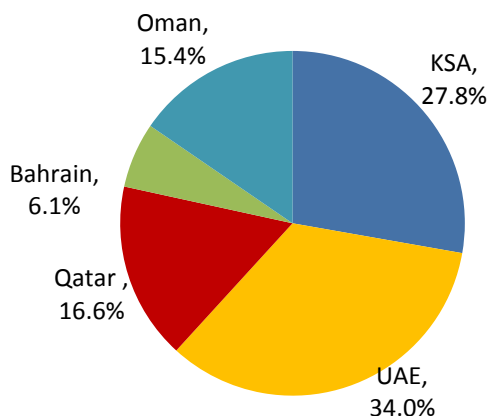
ASSET ALLOCATION (%)

	Actual
Cash	2.4%
Sukuk	97.6%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

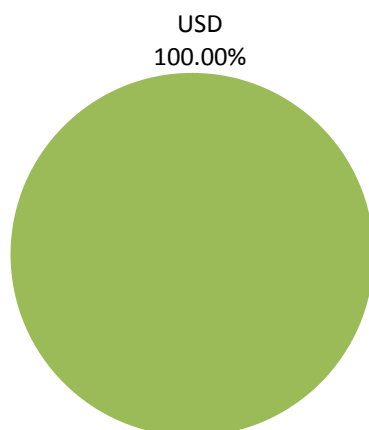


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Sharjah Islamic Bank Sukuk	8.99%
OMAN SULTANATE	8.88%
First Abu Dhabi Bank Sukuk	6.67%
State of Qatar Sukuk	6.66%
Kingdom of Saudi Arabia	6.56%
Dubai Islamic Bank Sukuk	6.55%
Saudi Electric Co. Sukuk	6.48%
Qatar Islamic Bank Sukuk	6.43%
OMAN SULTANATE	6.27%
CBB International Sukuk Company	6.02%

COMMENTARY

The Sukuk market was up in line with the performance of the global equity markets as investors' early jitters about COVID-19's economic impact started to subside in April. The Dow Jones Sukuk Index gained 2.52% (YTD -1.67%), and the S&P MENA Sukuk Index was up by 2.82% (YTD -0.80%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund gained 1.66% (YTD -2.90%) to USD 8.91 per share.

The record US economic expansion is over after almost 11 years. The world's largest economy shrank at a 4.8% annualized pace in the first quarter, the biggest slide since 2008 and the first contraction since 2014, as stay-at-home orders to fight the spread of COVID-19 forced businesses to shut and consumers to stay home. The current quarter is likely to be far worse, with analysts expecting the economy to shrink by a record amount not seen since the 1940s. Consumer spending, which had already begun to cool in the second half of 2019, fell at a 7.6% rate.

Meanwhile, OPEC+ held an emergency meeting which ended in agreement to a historical 10 million barrel cut of oil production, which equated a tenth of global supply. The move aimed to support crashing oil prices witnessing a dual demand-supply shock which saw WTI Crude trade in negative territory for the first time in history as traders raced to offload their contracts while storage capacity dwindled. Meanwhile, global travel and transport ground to a halt due to the coronavirus, and a disagreement between Russia and Saudi Arabia on production cuts threatened to flood the market with excess supply.

According to a report by S&P, the volumes of the global issuance of sukuk, or Islamic bonds, has nose-dived 32% in the first quarter of this year against Q1 2019, and a further decline is expected in Q2 2020 as several countries implement measures to control the spread of COVID19. The sukuk market is expected to recover in the third quarter of 2020 but the agency still forecasts global issuances in 2020 to fall by 40% YoY.

In issuance news, Saudi Arabia has raised SAR5.55 billion in sukuk, or Islamic bonds, the Finance Ministry said in a statement on Thursday. The first tranche of the sukuk issue had a size of SAR1.3 billion, and a total tranche size of SAR2.523 billion, maturing in 2027. The second tranche had a size of SAR4.25 billion, and a total tranche size of SAR8.238 billion, maturing in 2035.

Saudi Arabia also sold USD7 billion of bonds as it followed other Middle Eastern states that have issued foreign debt to bolster their finances in the face of the coronavirus pandemic and plunging energy prices. The deal was heavily oversubscribed, with investors placing around USD54 billion of orders, according to Bloomberg. The kingdom sold USD2.5 billion of bonds maturing in 5.5 years, USD1.5 billion of debt due in 10.5 years and USD3 billion of 40-year notes. The longest tranche was priced with a yield of 4.55%, down from the initial talk of 5.15%. The shortest securities yielded 2.94% and the middle term ones yielded 3.34%



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The Fund closed the month positioned with an overall weighted average maturity of 2.93 years, and a weighted average yield to maturity (YTM) of 4.25%.

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.

