

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 30.09.21

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

<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>	8,236,589	<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

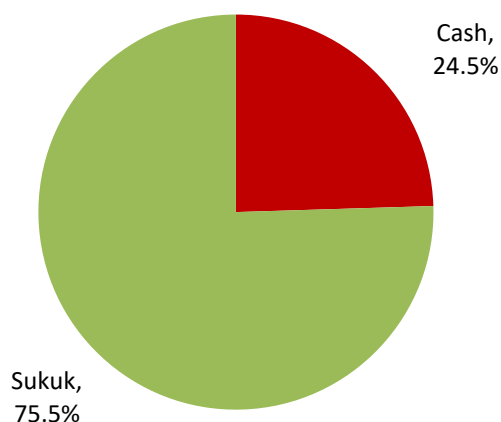
## MONTHLY PERFORMANCE (%)

	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	-0.06	-0.06	-0.05	-0.10				0.22
Benchmark	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01	0.01				0.13
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

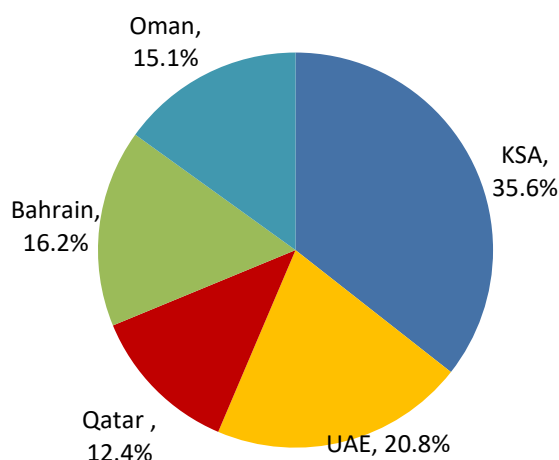
## ASSET ALLOCATION (%)

	Actual
Cash	24.5%
Sukuk	75.5%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

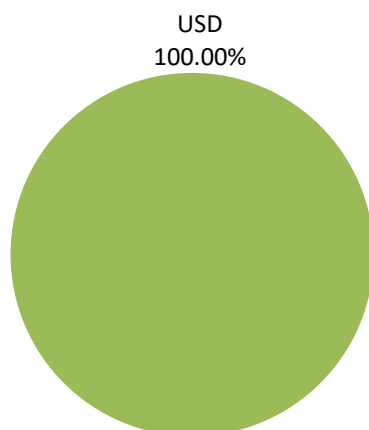


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

OMAN SULTANATE	9.37%
First Abu Dhabi Bank Sukuk	6.31%
State of Qatar Sukuk	6.28%
Arabian Centres	6.28%
Dubai Islamic Bank Sukuk	6.26%
Saudi Electric Co. Sukuk	6.17%
CBB International Sukuk Company	6.14%
Kingdom of Saudi Arabia	6.14%
CBB International Sukuk Company	6.08%
KSA Sukuk Limited	5.13%

## COMMENTARY

MENA Fixed income indices have suffered losses during the month of September as the US Central Bank Chair signaled that it could begin scaling back asset purchases starting November. The Dow Jones Sukuk Index fell 0.52% (YTD -1.41%), while the S&P MENA Sukuk Index shed 0.09% (YTD 1.32%). The IIAB Sukuk & Murabaha MENA Fund fell slightly, recording a 0.10% decline (YTD 0.22%).

In major news for the month Federal Reserve Chair Jerome Powell said the U.S. central bank could begin scaling back asset purchases in November and complete the process by mid-2022, after officials revealed a growing inclination to raise interest rates next year. Powell has said that tapering could come as soon as the next meeting. That refers to the policy gathering on November 2-3, though he left the door open to waiting longer if needed and stressed that tapering was not meant to start a countdown to liftoff from zero interest rates.

Global sukuk issuance will be flat or slightly lower this year after five straight years of strong growth as higher crude prices have reduced oil-rich Gulf governments' financing need according to, Moody's rating agency. The expected volume is despite issuance increasing in the first half of the year by 3% to USD102 billion, driven by sales from Malaysia and Indonesia. Issuance volume in Southeast Asia, which made up more than half of total issuance in the first half, increased 22% while in the Gulf it declined 19%.

On a national level, Oman's fiscal deficit and debt are expected to decline sharply after spiking last year, the International Monetary Fund said, as the Gulf state implements a medium-term plan to fix finances hit by the COVID-19 pandemic and low oil prices. The fiscal deficit is set to decrease to 2.4% of gross domestic product this year from 19.3% of GDP in 2020, and the country is expected to switch to a surplus in 2022, the IMF said.

In Bahrain plans are being made to double its value-added tax to 10%, the Gulf's highest rate after Saudi Arabia, in a bid to boost state revenue and curb one of the region's widest budget deficits. The Gulf's smallest economy is seeking ways to cut spending and bring its budget back into balance by 2024, a delay to the previous target, without undermining a fragile recovery.

In energy news, the global natural gas crunch has hit suppliers and consumers alike, OPEC nations are warning of the knock-on impact for oil markets. Iraq expects higher demand for crude as the shortfall of gas forces consumers to look for alternative fuels.



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In issuance news GFH seeks shareholder approval to issue sukuk at USD300 million in the form of additional perpetual tier 1 capital according to Bloomberg. Furthermore, Ahli United Bank B.S.C raised USD 600 million from sale of a 5 year USD sukuk issue. The final return was set at 2.615%. Dubai Islamic Bank, the United Arab Emirates' largest Islamic lender, is planning to soon sell US dollar-denominated senior sukuk, two sources said. Banks have already been hired for the deal, which is expected as soon as next week and is likely to be around USD500 million in size.

In rating updates Masdar, a subsidiary of Mubadala Investment Company, received investment grade A2 and A+ ratings from Moody's Investors Service and Fitch Ratings, respectively, marking the first time the Abu Dhabi renewable energy company is rated by global agencies. An A2 rating is sixth-highest credit rating of Moody's and indicates low credit risk, as does the A+ rating by Fitch. Masdar is wholly owned by Mamoura Diversified Global Holding. On the sovereign front, S&P Global Ratings could upgrade Oman's sovereign grade for the first time since 2007 after improving its outlook to positive, following a fiscal turnaround that's reducing the strain on its public finances. While the sultanate's spell in junk may be far from over, S&P's change in the outlook from stable is a signal the firm is more inclined to raise the rating than cut it.

The Fund was 84.84% invested at the end of August, with an estimated average yield to maturity of 1.30% and an estimated average maturity of 1.84 year.

## 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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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.

