

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.09.22

NAV PER SHARE

\$9.09

## 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>	7,935,017	<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

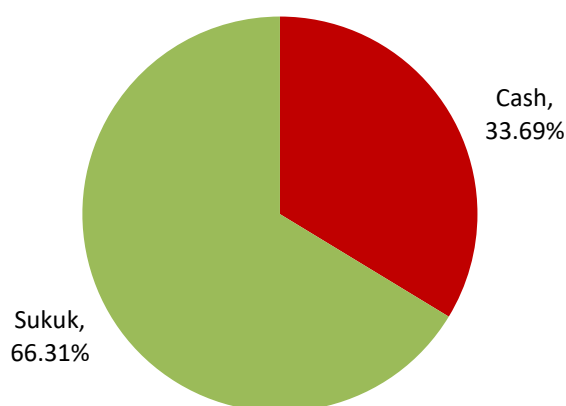
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59	-0.58	-0.05	-0.78	0.38	0.23	-0.96				-3.16
Benchmark	0.02	0.03	0.04	0.08	0.11	0.13	0.19	0.23	0.26				1.10
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

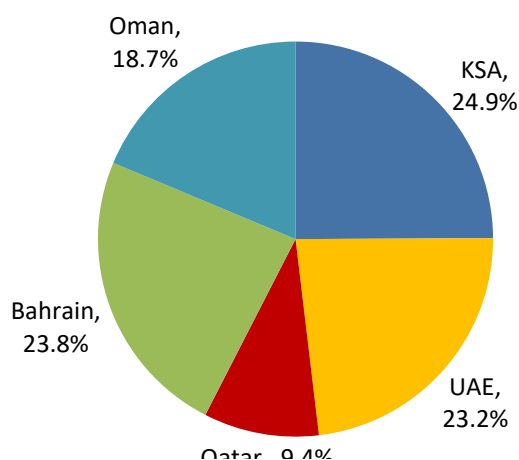
## ASSET ALLOCATION (%)

	Actual
Cash	33.69%
Sukuk	66.31%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

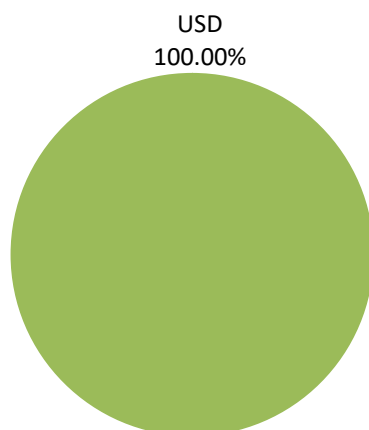


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

CBB International Sukuk Company	9.75%
OMAN SULTANATE	9.25%
State of Qatar Sukuk	6.28%
First Abu Dhabi Bank Sukuk	6.26%
Dubai Islamic Bank Sukuk	6.25%
Saudi Electric Co. Sukuk	6.11%
CBB International Sukuk Company	6.05%
Arabian Centres Sukuk	5.94%
KSA Sukuk Limited	4.52%
Oman Sovereign Sukuk	3.18%

## COMMENTARY

MENA Fixed income indices have continued to bleed during the month of September as the US Central Bank continued its crusade against inflation with a third successive 0.75% rate hike. The Dow Jones Sukuk Index fell 3.85% (YTD -11.81%), while the S&P MENA Sukuk Index shed 3.28% (YTD -8.77%). The IIAB Sukuk & Murabaha MENA Fund on the other hand ended the month only slightly down, recording 0.96% decline (YTD -3.16%).

In major news for the month, Fed Chairman Powell refused to rule out a recession in the world's largest economy as the Federal Reserve implemented a third consecutive 75 bps rate rise and published a much gloomier set of projections. Powell's downbeat commentary on the economy came as the Federal Open Market Committee lifted its benchmark interest rate to a target range of 3 % to 3.25 % and signaled an intention to keep monetary policy tight as it fights soaring inflation. This comes after US retail sales unexpectedly rose during the month of August while jobless claims fell for a fifth straight week suggesting a healthy labor market.

Global sukuk sales are set to extend its decline to USD160 billion-USD170 billion in 2022, given major sovereign issuers' improved fiscal positions and higher interest rates, Moody's said in a report. Issuance fell last year to USD181 billion from a record USD205 billion in 2020. The rating agency sees gross sukuk issuance of USD70 billion-USD80 billion in the second half. While issuance in Southeast Asia is likely to improve, Moody's doesn't expect the Gulf Cooperation Council countries' strong performance in the first half to continue into the second half.

In regional news, Oman, Saudi Arabia and the UAE all achieved the highest GDP growths in over a decade based on the former two countries' first half readings and the latter's first quarter reading. This comes as a result of higher oil prices seen throughout the year which helped bolster revenues for the three oil-producing countries.

Another report issued by Moody's forecasted UAE homebuilders' credit quality will improve, benefiting from strong demand in the off-plan market. Off-plan property sales will remain high for Emaar Properties (Baa3 stable) and Aldar Properties (Baa2 stable), with positive investor sentiment supporting solid demand, especially for high quality projects. Average residential prices will stabilize or moderately soften in the next 12-18 months.

In issuance news, Saudi Arabia's sovereign wealth fund has mandated banks for a dollar green bond sale, as the kingdom seeks to reshape its reputation on environmental issues. This comes after Abu Dhabi Commercial Bank (ADCB) raised USD500 million from sale of a 5-year USD green bond. The final coupon was set at 4.50%. Finally, Private Department of Sheikh Mohamed Bin Khalid Al Nahyan – LLC raised USD300 million from the sale of a 3 year USD sukuk issue. The final return was set at 8.75%.



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In rating updates, S&P Global Ratings affirmed Saudi Arabia's sovereign credit ranking with a positive outlook, citing higher oil prices and increased crude production. The nation's rating remains at A-, four notches above junk. The company came short of raising the Middle Eastern nation's rating, despite a windfall from higher oil prices that's helping the kingdom end years of budget deficits. Furthermore, the rating agency has maintained the Kingdom of Jordan's long-term sovereign credit rating at B+/Stable/B. S&P's decision follows Jordan's adoption of several reforms related to stimulating investments and competitiveness, expanding the tax base within the economic reform program, and the international support that the Kingdom receives in various fields .

The Fund was 68.18% invested at the end of September, with an estimated average yield to maturity of 0.70% and an estimated average maturity of 1.28 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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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.

