

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.03.22

A protected cell of the IIAB PCC Ltd

## NAV PER SHARE

\$9.25

## 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>	8,075,237	<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

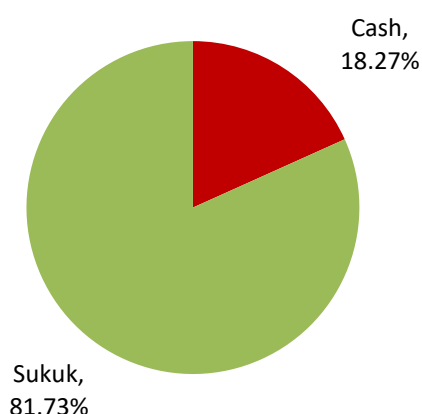
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2022	-0.54	-0.33	-0.59										-1.45
Benchmark	0.02	0.03	0.04										0.09
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

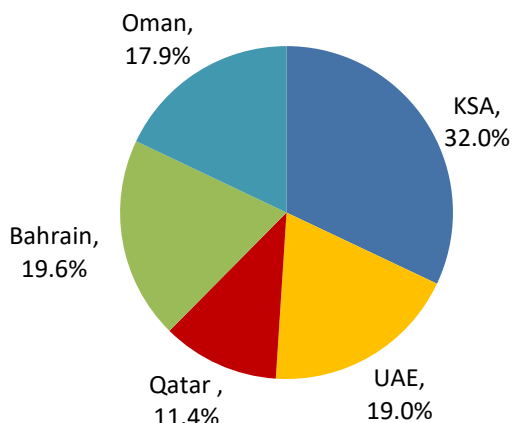
## ASSET ALLOCATION (%)

	Actual
Cash	18.27%
Sukuk	81.73%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

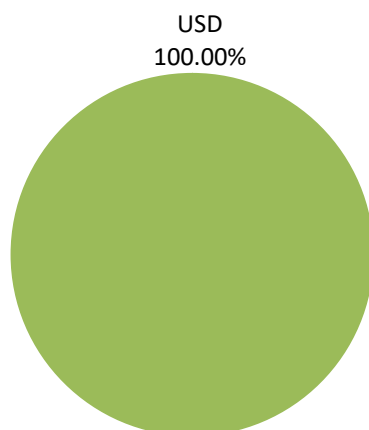


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

CBB International Sukuk Company	9.99%
OMAN SULTANATE	9.36%
First Abu Dhabi Bank Sukuk	6.26%
State of Qatar Sukuk	6.25%
Dubai Islamic Bank Sukuk	6.25%
Kingdom of Saudi Arabia	6.19%
Saudi Electric Co. Sukuk	6.11%
CBB International Sukuk Company	6.11%
Arabian Centres	5.96%
KSA Sukuk Limited	4.93%

## COMMENTARY

Fixed income instruments dived after the US Fed raised interest rates and signaled six further hikes in its attempt to combat the worst inflation in 40 years. The Dow Jones Sukuk Index has shed 1.74% (YTD -4.83%) while the S&P MENA Sukuk Index lost 1.66% (YTD -3.90%). The IIAB Sukuk & Murabaha MENA Fund followed suit albeit by a smaller rate, falling by 0.59% (YTD -1.45%).

In major news for the month of March, the Federal Reserve raised interest rates by a quarter percentage point and signaled hikes at all six remaining meetings this year, launching a campaign to tackle the fastest inflation in four decades even as risks to economic growth mount. Policy makers led by Chair Jerome Powell voted 8-1 to lift their key rate to a target range of 0.25% to 0.5%, the first increase since 2018, after two years of holding borrowing costs near zero to insulate the economy from the pandemic. The decision was made after US consumer price gains accelerated in February to a fresh 40-year high on rising gasoline, food and housing costs, with inflation poised to rise even further following Russia's invasion of Ukraine. The consumer price index jumped 7.9% from a year earlier following a 7.5% annual gain in January, Labor Department data showed.

Policy makers in Gulf Arab economies followed the US Federal Reserve and raised interest rates by a quarter percentage point for the first time since 2018, though higher oil revenues mean governments can spend more to cushion the impact of increasing borrowing costs. The central banks of countries including Saudi Arabia and the United Arab Emirates tend to match the Fed's decisions to protect their currencies' pegs to the US dollar.

In regional news Saudi Arabia made a USD5 billion deposit in Egypt's central bank, making it the latest Gulf state to support the economy of the North African country. It is part of the kingdom's efforts to support Egypt's economy, according to state-run Saudi Press Agency. A major food importer, Egypt has been hit hard by record grain prices fueled by the Russian invasion of Ukraine. One of the Middle East's most indebted nations, it buys most of its wheat from the two countries currently at war, while Russian visitors previously made up a significant portion of its tourism market.

Furthermore, Qatar pledged to pump USD5 billion into investments in Egypt, which is also seeking International Monetary Fund assistance. The two countries have agreed to form a committee to coordinate investment plans, the Egyptian and Qatari governments said following meetings between their officials. The Qatari pledge comes after Abu Dhabi wealth fund ADQ earlier in the month made a roughly USD2 billion deal to buy Egyptian state-owned stakes in publicly listed companies.

Surging crude is expected to lower oil-rich Gulf nations' need to sell Islamic bonds, according to Moody's Investors Service's report. The agency expects higher oil prices will lead to lower sukuk issuance in 2022, largely driven by lower financing needs in the six-member Gulf Cooperation Council countries. Higher oil has pushed crude above the break-even level for almost all the Gulf producers, raising the prospect of significant budget surpluses for even the weakest economies.



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In ratings' news, Bahrain's long-term issuer default rating was affirmed by Fitch at B+ with a stable outlook. Moreover, Saudi Arabia had the outlook on its debt rating revised to positive from stable by S&P Global Ratings as oil, the kingdom's main source of income, trades above USD100 per barrel. S&P revised the outlook while affirming the kingdom's long-term foreign currency debt rating at A-, its seventh highest level.

In issuance news, the Government of the Emirate of Sharjah acting through Sharjah Finance Department raised USD 750 million from the sale of a new 8 year USD sukuk issue. The final return was set at 3.886%.

The Fund was 82.93% invested at the end of the month of March. It was positioned with an average yield to maturity of 2.95% and an average maturity of 1.66 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.

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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.

