

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 28.08.20

NAV PER SHARE

\$9.24

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	8,067,306	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

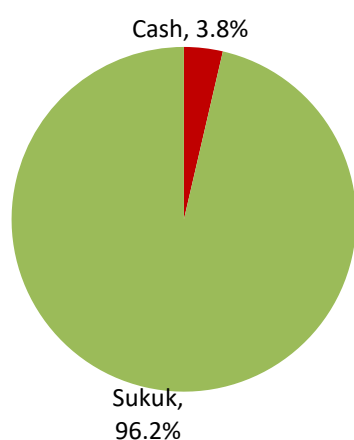
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66	1.00	1.43	0.72	0.52					0.70
Benchmark	0.16	0.15	0.12	0.12	0.05	0.03	0.03	0.02					0.12
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

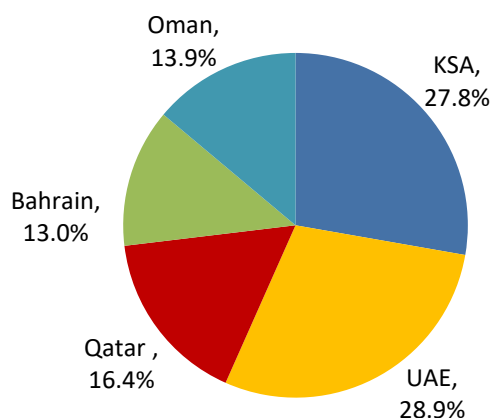
ASSET ALLOCATION (%)

	Actual
Cash	3.8%
Sukuk	96.2%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

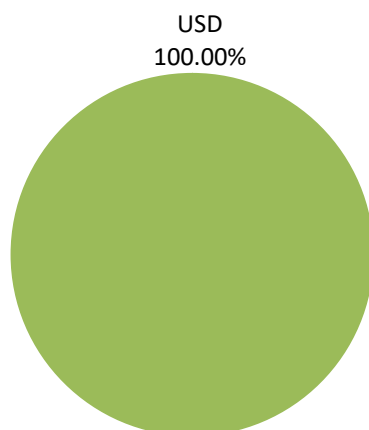


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.30%
Sharjah Islamic Bank Sukuk	8.83%
First Abu Dhabi Bank Sukuk	6.56%
State of Qatar Sukuk	6.52%
Dubai Islamic Bank Sukuk	6.45%
Saudi Electric Co. Sukuk	6.40%
Kingdom of Saudi Arabia	6.39%
CBB International Sukuk Company	6.30%
CBB International Sukuk Company	6.27%
Qatar Islamic Bank Sukuk	6.20%

COMMENTARY

The Sukuk market continued its upward trajectory in August as the post COVID-19 recovery in asset gains more steam. The Dow Jones Sukuk Index gained 0.24% (YTD 3.51%) and the S&P MENA Sukuk Index was up by 0.43% (YTD 5.20%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund managed to outperform both benchmarks, gaining 0.52% (YTD 0.70%) to venture further into the positive territory it cracked the prior month.

The month of August ended on a firm note as the Fed announced a significant change in its monetary policy framework, signaling that interest rates will remain low for a long time as the central bank will not engage in future pre-emptive hikes to keep inflation under 2%.

In bleaker news, a report issued by Moody's Investors Service expected global sukuk issuance to fall by 5% this year due to the Covid-19 pandemic, ending four years of rapid growth. Some USD77 billion in Sukuk was issued in the first six months of 2020 vs USD87 billion in the same period of 2019 as the pandemic pared activity in Malaysia and Indonesia, Moody's said.

On the regional front, Saudi Arabia's consumer price index jumped 6.1% in July compared with a year earlier, boosted by a tripling of the value-added tax. The inflation rate in June was 0.5%, the smallest annual increase since January, before the VAT increase to 15% from 5% came into effect on July 1st. The jump in annual inflation reflected price increases in most categories according to the General Authority for Statistics.

Furthermore, the Central Bank of the UAE is rolling out additional measures within the Targeted Economic Support Scheme, relaxing two key liquidity requirements to boost capacity of banks, in order to extend more support to companies and individuals amid the Covid-19 crisis. The banking regulator is reviewing the existing thresholds of two prudential ratios: the Net Stable Funding Ratio (NSFR) and the Advances to Stable Resources Ratio (ASRR) by temporarily relaxing the requirements for the structural liquidity position of banks.

Meanwhile, the Kuwaiti parliament's finance and economic panel turned down a draft bill that might have allowed the government to borrow up to USD65 billion at home and abroad just as liquid assets in the Treasury come close to being depleted.

In company specific news, Dana Gas PJSC is still deciding how to repay USD309 million in Islamic bonds due in late October, according to the company's CEO. The United Arab Emirates based energy producer appointed Houlihan Lokey Inc. as financial adviser for its Sukuk last month, indicating it may face difficulties paying back the debt. Dana Gas aimed to use proceeds from the sale of assets in Egypt, but it's yet to conclude any transaction.



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In ratings news, Oman received its second downgrade this year from Fitch Ratings because of what it called the “continued erosion” of the country’s fiscal and external balance sheets. Fitch lowered Oman’s sovereign rating one notch to BB-, three steps below investment grade and on par with Brazil, Turkey and Bangladesh. The outlook for the Gulf state is negative.

The Fund closed the month positioned with an overall weighted average maturity of 2.76 years, and a weighted average yield to maturity (YTM) of 2.67%.

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.

