

IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.08.21

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.45

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	8,245,055	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

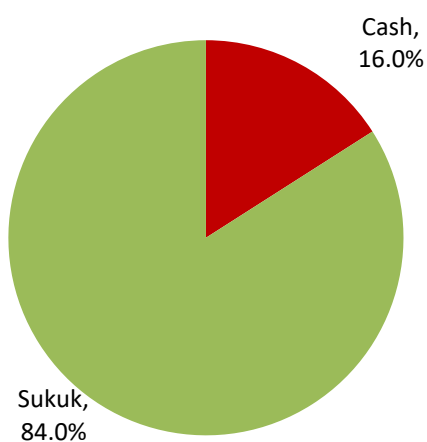
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2021	0.26	-0.14	-0.20	0.29	0.29	-0.06	-0.06	-0.05					0.32
Benchmark	0.02	0.02	0.02	0.02	0.01	0.01	0.01	0.01					0.12
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

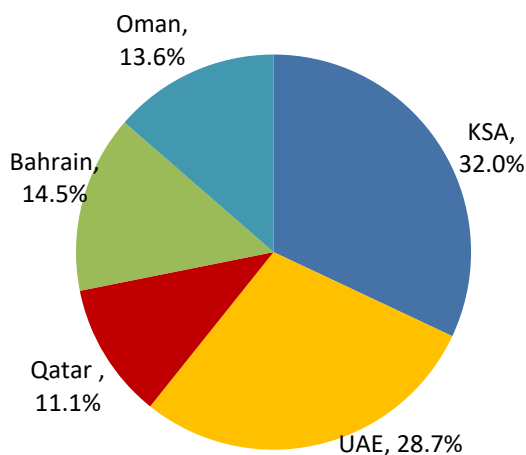
ASSET ALLOCATION (%)

	Actual
Cash	16.0%
Sukuk	84.0%

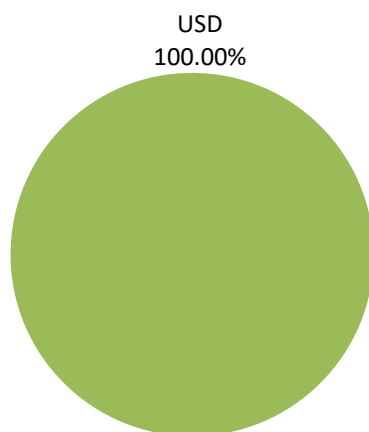
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)



CURRENCY ALLOCATION



TOP TEN HOLDINGS

OMAN SULTANATE	9.44%
Sharjah Islamic Bank Sukuk	8.48%
First Abu Dhabi Bank Sukuk	6.33%
State of Qatar Sukuk	6.30%
Dubai Islamic Bank Sukuk	6.28%
Arabian Centres	6.26%
Saudi Electric Co. Sukuk	6.19%
Kingdom of Saudi Arabia	6.15%
CBB International Sukuk Company	6.14%
CBB International Sukuk Company	6.11%

COMMENTARY

MENA Fixed income indices were a mixed bag during the month of August as investors grappled with soaring equity prices and the Fed's updated stance on tapering bond purchases. The Dow Jones Sukuk Index fell 0.04% (YTD -0.90%), while the S&P MENA Sukuk Index gained 0.16% (YTD 1.41%). The IIAB Sukuk & Murabaha MENA Fund on the other hand, fell slightly by 0.05% (YTD 0.32%).

During the month, the US federal debt limit was re-imposed after Congress did not reach agreement to lift or suspend the ceiling by its 31 July statutory deadline. The US Treasury will now resort to a series of temporary accounting measures that the Treasury has used in the past to increase borrowing capacity under the debt limit, to meet its daily financing needs until Congress reaches an agreement. Although political brinkmanship may prolong negotiations, Moody's expects that the debt limit will ultimately be lifted or suspended, and that the US will continue to meet its debt-service obligations on time and in full. In the event that the debt limit is not raised, Moody's expects the Treasury to prioritize interest payments over other expenses to preserve the full faith and credit of the US government and avoid disruptions in the global financial markets.

Credit appetite in the UAE economy gained momentum in the second quarter and is expected to sustain the trend in the current quarter according to the Credit Sentiment Survey of the Central Bank of UAE (CBUAE). The Credit Sentiment Survey is a quarterly publication of the CBUAE, which collects information from senior credit officers from all banks and financial institutions extending credit within the UAE.

In Saudi Arabia, the budget deficit narrowed to SAR4.6 billion (USD1.2 billion) in the second quarter, boosted by higher oil prices and surge in tax revenue. The world's largest crude exporter saw oil revenue rise 38% in the period from April to June compared to the same period last year, while non-oil revenue tripled, reaching SAR116 billion, according to a Finance Ministry statement. That was largely driven by increased tax revenue after the government tripled value-added tax to 15% last July-- and the comparison with a low base during last year's lock-down. Spending remained restrained, at around SAR253 billion.

Also in Saudi, the economy expanded by 1.5% year-on-year (y-o-y) in the second quarter of 2021, notching its first expansion since the COVID-19 coronavirus pandemic started early last year. The growth was fueled by a 10% increase in non-oil sector activity, the General Authority for Statistics in Saudi Arabia said. While the government sector also saw a 0.7% growth, the oil sector activities recorded a decline of 7%. On a sequential quarter basis too, GDP expanded by 1.1%. This was led by the oil sector growing 2.5% with the non-oil sector adding 1.3%.

New issuances were predictably scarce as they usually are in August. 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%.

In ratings updates, Turkey's long-term foreign currency debt rating was affirmed by Fitch at BB-. Long-Term Issuer Default Rating was affirmed by Fitch at BB-. Outlook remains stable.



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The Fund was 84.84% invested at the end of August, with an estimated average yield to maturity of 1.19% and an estimated average maturity of 1.91 year. We are keeping a close eye on the markets' systematic dynamics, whereby "stagfationary winds" are witnessed across the globe due to easy monetary policies, and supply side supply-chain disruptions at the same time. Policy setters are facing a very unique and uncertain environment that is expected to last a few quarters ahead, and any policy "errors" are expected to be costly.

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

Whilst the information contained in this report is provided in good faith, no representation or warranty, express or implied, is made to its accuracy or completeness.

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This Fact Sheet is not an invitation to make an investment, nor does it constitute an offer for sale. In addition, it does not constitute as an advertisement in a country where the Fund is not registered for sale.

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.

