

IIAB Islamic MENA Fund

Performance Report 29.08.19

A Fund created by IIAB Islamic MENA Fund Company B.S.C. (Closed)

NAV PER SHARE

\$6.34

OBJECTIVE OF THE FUND

The IIAB Islamic MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities, whilst adhering to the sharia' principles. The Fund aims to achieve an annual average net return in excess of 11% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

KEY FEATURES

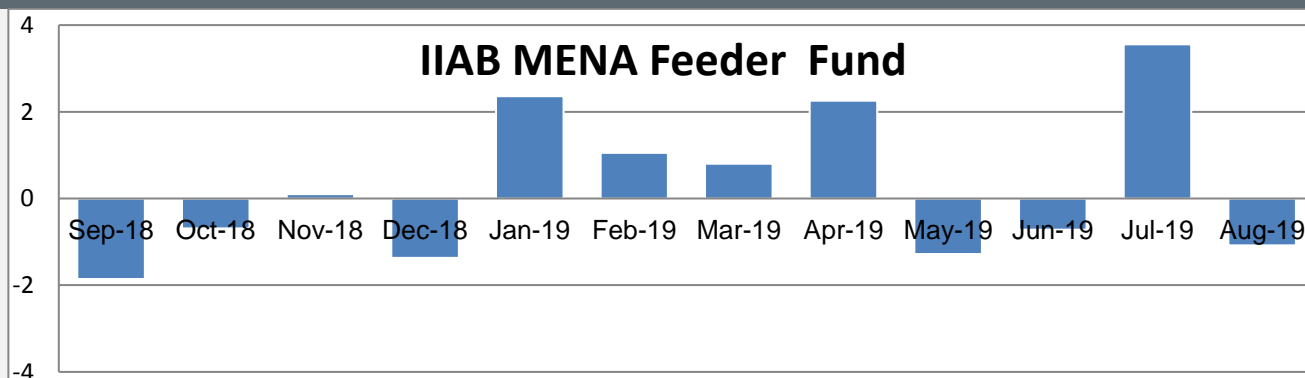
Domicile	Kingdom of Bahrain	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & 100 units thereafter
Fund assets	USD 6,511,880	Investment manager	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 4 business days prior to month end
		BBG code	IIABISL BI EQUITY

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
IIAB Islamic MENA Fund													
2019	2.41	1.10	0.85	2.65	-1.24	-0.67	3.57	-1.08					7.73
2018	-0.96	-0.92	1.30	0.06	-0.81	-0.17	-1.94	-0.18	-1.80	-0.64	0.15	-1.31	-7.03
2017	0.16	0.07	0.48	0.74	-2.58	0.79	-0.92	-0.88	1.05	-0.22	-2.83	0.05	-4.10
2016	-8.86	5.04	2.18	2.64	-1.18	0.02	0.48	-0.02	-1.81	-0.92	5.03	1.88	3.78
2015	0.87	2.44	-3.38	5.78	-0.23	0.38	-0.08	-10.32	0.89	-2.92	0.61	-0.83	-7.39
2014	2.80	1.39	-0.05	2.01	1.96	-2.18	6.54	2.65	0.33	-4.18	-3.17	-0.69	7.15

Important note: The first NAV for the Fund was issued in April 08.

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



RETURN PERCENTAGES

1 month	-1.08%	3 months	1.77%	Since inception	-36.63%
6 months	4.05%	12 months	3.89%		

PERFORMANCE STATISTICS

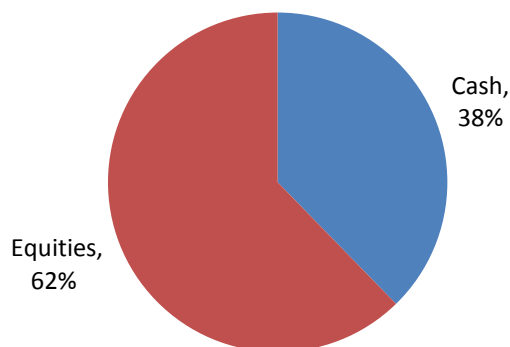
	Portfolio
Annualised return	-3.9%
Annualised volatility	13.8%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.8%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS

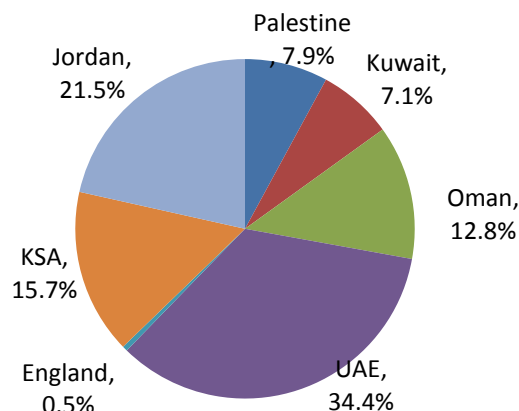
	Country	%
Siniora Food Industries	Jordan	11.81%
Dubai Islamic Bank	UAE	8.56%
Ooredoo	Oman	7.97%
Emaar Properties	UAE	6.72%
Saudi Airlines Catering	KSA	6.72%
Aramex	UAE	6.16%
Palestine Telecommunication	Palestine	4.93%
Human Soft Holding	Kuwait	4.44%
Savola Group	KSA	2.56%
Arab Pesticide And Veterinar	Jordan	1.58%



ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (EQUITIES)



COMMENTARY

MENA equity markets saw a difficult month this August although year-to-date performances remained positive. The S&P Pan Arab Investable Index dropped 3.55% (YTD +2.03%) and the Dow Jones MENA Index lost 4.69% (YTD +5.32). Islamic markets similarly declined, with the Dow Jones Islamic Market MENA Index shedding 5.08% (YTD +1.65%).

The Arab Bank MENA Fund fell by 2.17% (YTD +6.52%) and the IIAB Islamic MENA Fund lost 1.08% (YTD +7.73%). In turn, the AB MENA Feeder Fund fell by 2.22% (YTD +6.20%) and the IIAB MENA Feeder Fund dropped 1.14% (YTD +7.36%).

Contrary to the general direction of regional markets, Oman's MSM30 Index rose 6.49% (YTD -7.38%), and the Egyptian EGX30 Index jumped 10.77% (YTD +13.81%). Aside from the aforementioned outliers, individual country indices declined. Jordan's ASE General Index fell 2.79% (YTD -4.59%), and in the GCC, the Abu Dhabi Index slipped 2.89% (YTD +5.10%), while the DFM General Index dropped 5.47% (YTD +9.05%). Furthermore, the Kuwait Premier market Index lost 3.21% (YTD +23.93%), the Qatari Index retreated 2.59% (YTD -0.64%) and the Bahraini Index fell 0.94% (YTD +14.64%).

In addition, the Saudi Arabian TASI slid by a staggering 8.16% (YTD +2.47%) despite sizeable foreign passive inflows into the market. At the end of August, the Tadawul completed its full inclusion in the MSCI emerging markets index. This second and final phase of its inclusion plays an important role in the kingdom's efforts to open up its financial market to international investors. The stock market will, from now on, have a weight of 2.8% in the MSCI index. A report by the Institute of International Finance (IIF) found that in the first eight months of 2019, foreign equity flows into Saudi Arabia surpassed those of India and China, which have considerably larger economies.

Around the world, equity markets faced downward pressures as global trade continued to be weak. The European Central Bank (ECB) says global trade may pick up in the coming months but only gradually, where it will remain weaker than overall economic activity. Global growth has been held back by weak foreign trade as a tariff war between the U.S. and China chipped away at investor confidence and weighed down on investment. The economic bulletin said that the downside risks to the outlook that the ECB had previously forecast have materialized, mainly due to the implementation of higher tariffs and the threat of further escalation in the trade war.

In general, volatility indices were on the rise as investors reacted to the increasing uncertainty in the outlook of the global economy. The CBOE Volatility Index (VIX) gained 17.74% (YTD -25.33%) and EURO Stoxx 50 (VSTOXX) rose 22.77% (YTD -25.96%). Moreover, as what is perhaps a result of escalating trade tensions, gold prices reached levels not seen since April of 2013. Spot gold reached its peak at USD 1,542.81 on the 27th and closed the month at USD 1,520.38 per ounce, an increase of 7.54% (YTD +18.55%).

In other commodity news, Brent Oil lost 7.27% (YTD +12.32%) and WTI Oil fell 5.94% (YTD +21.34%) despite the decline in the number of U.S. oil rigs which in August fell from 770 to 742, according to Baker Hughes.

Global markets moved in the same direction, downwards. The U.S.'s S&P 500 Index lost 1.81% (YTD +16.74%) and the Dow Jones Index dropped 1.72% (YTD +13.19%). In Europe, the French CAC 40 shed 0.70% (YTD +15.85%), the German DAX fell by 2.05% (YTD +13.07%) and the FTSE 100 slid down 5.00% (YTD +7.12%). Meanwhile in Asia, the Nikkei fell 3.80% (YTD +3.45%), the Shanghai Composite Index lost 1.58% (YTD +15.73%), and the Hang Seng Index retreated 7.39% (YTD -0.47%).

We remain cautious of global economic and geopolitical risks and uncertainties. Brexit, trade wars spreading over to other blocks or countries other than China, as well as the volatility in benchmark yield curves, are just the tip of the iceberg of what could be a spark for major systematic market shocks. In addition, the rising geopolitical friction in the MENA region, and oil prices large swings, also incline us to adapt to more conservative allocations. As such, we have lightened allocations to markets where valuations remain stretched, due to their higher sensitivities at current price levels. With a healthy cash position, we will keep hunting for deep value plays, gradually rebuilding the risk positions that were reduced in the first 8 months of the year.



INVESTMENT METHODOLOGY & EDGE

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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IIAB Islamic MENA Fund is a Fund created and sponsored by the IIAB Islamic MENA Fund Company B.S.C. (Closed) and is an open-ended investment Fund registered under the Laws of the Kingdom of Bahrain.

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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.

