IIAB Islamic MENA Fund

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

Performance Report 31.12.19

NAV PER SHARE $6.28

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

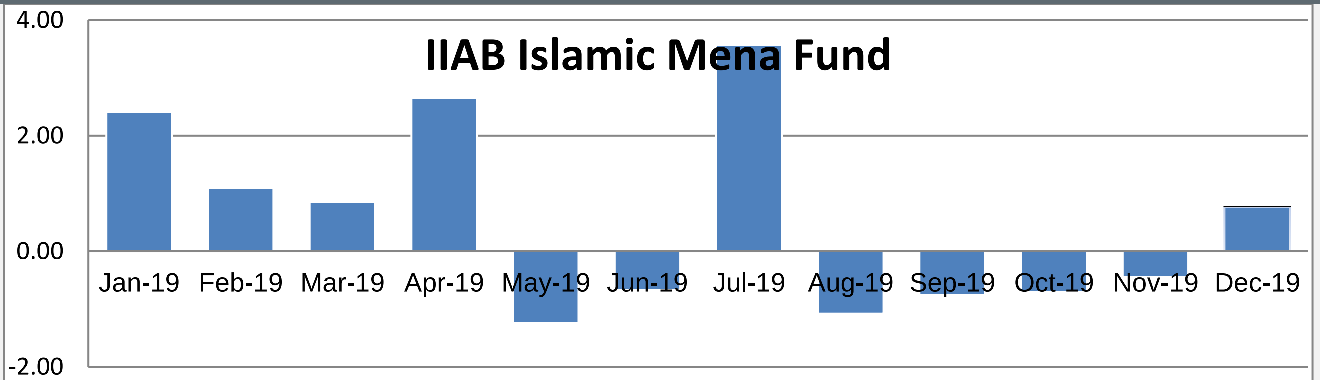
Domicile	Kingdom of Bahrain	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & 100 units thereafter
Fund assets	USD 6,453,292	Investment manager	Al Arabi Investment Group Co (AB Invest)
		Dealing frequency	Monthly, 4 business days prior to month end
Launch date	28 February 2008	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	-0.76	-0.45	-0.45	0.77	6.76
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	0.77%	3 months	-0.14%	Since inception	-37.20%
6 months	1.53%	12 months	6.76%		

PERFORMANCE STATISTICS

	Portfolio
Annualised return	-3.9%
Annualised volatility	13.6%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.1%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS

	Country	%
Dubai Islamic Bank	UAE	9.01%
Ooredoo	Oman	8.17%
Aramex	UAE	6.40%
Emaar Properties	UAE	5.51%
Palestine Telecommunication	Palestine	5.04%
Saudi Airlines Catering	KSA	4.25%
Human Soft Holding	Kuwait	4.23%
Savola Group	KSA	2.48%
Arab Pesticide And Veterinar	Jordan	1.68%
Gulf Marine Services	England	0.30%

Smarter investment vehicles for a changing world

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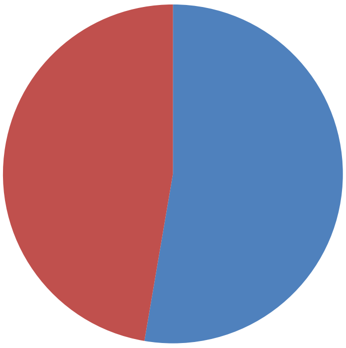
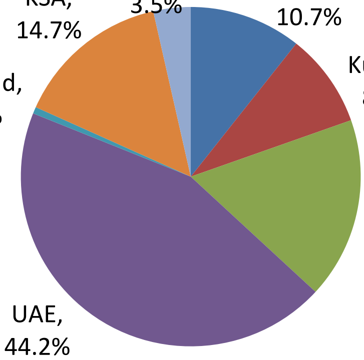
ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (EQUITIES)



COMMENTARY

MENA markets had exceptionally positive performances this December with strong support from the Saudi market, the largest in the region. The S&P Pan Arab Investable Index rose 5.41% in December to end the year in green at +4.57%, and the Dow Jones MENA Index pushed higher with 5.42% to close the year up by 8.73%. In Islamic markets, the Dow Jones Islamic Market MENA Index ended the year up 3.66% after having risen by 4.77% during the month.

The Arab Bank MENA Fund advanced 1.80% in December to close the year up 7.13%. Similarly, the IIAB Islamic MENA Fund gained 0.77% and ended the year up by 6.76%. In turn, the IIAB MENA Feeder Fund rose 0.72% (YTD +6.18%).

Country indices in the region had sweeping positive returns during the last month of the year. Most notable of which was the Kuwait Premier Market Index, which jumped 7.00% (YTD +32.44%), followed by the Saudi Arabian TASI, which rose by 6.75% (YTD +7.19%). In other GCC markets, the Bahraini Index gained 5.45% (YTD +20.41) and the Qatari Index rose 2.74% (YTD +1.23%). In the UAE, the DFM General Index jumped 3.22% (YTD +9.29%) and the Abu Dhabi Index went up by 0.89% (YTD +3.27%). Meanwhile, the Jordanian ASE Index rose 1.11% (YTD -4.90%) and the Egyptian EGX30 Index gained 0.81% (YTD +7.10%).

Oman's MSM30 Index proved to be the only exception to the positive performances in the region during the month as it continued to push lower with a 2.04% decrease in December and a 7.92% decline on a year-on-year basis.

Saudi Arabia, the UAE, and Oman announced their budgets for the coming year. Saudi Arabia announced a SAR1.02 trillion budget for 2020, a slight fall in spending as the deficit widens to 6.4% of GDP (compared to 4.7% in 2019). The Saudi Finance Minister clarified that the 2020 budget was conservative on revenues because of the global economic outlook. The government expects real GDP to grow at 2.3% after a projected 0.4% growth in 2019 and it expects inflation to reach 2% compared with an expected 1% fall in consumer price index (CPI) in 2019.

In the UAE, Dubai expects to increase public spending to record levels to stimulate the economy and finance its plans to host the Expo 2020 world fair. State spending will increase 17% to AED66.4 billion (USD18 billion). The overall budget deficit is projected at AED2.4 billion in 2020, narrowing from AED5.8 billion in 2019. Spending on infrastructure, at AED 8 billion, is lower than last year but a further AED2 billion, or 3% of total expected expenditure, will be used as a special reserve for the six-month Expo 2020 fair starting in October. Earlier, the emirate forecast 3.2% growth in 2020, higher than the 2.1% forecast for this year. On the country level, the Central Bank of the UAE said it expected GDP to increase 2% in the fourth quarter of 2019 on a year-on-year basis.

Oman's government expects to increase spending in the coming year by 2% to OMR13.2 billion (USD34.4 billion). The government also expects a deficit of OMR2.5 billion, or 8% of GDP. Approximately 80% of the deficit will be funded through external and domestic borrowing, while the remainder will be funded by drawing from reserves. The budget is based on the assumption of an average oil price of USD58 per barrel in 2020. Oil revenue is projected to reach OMR5.5 billion, representing 51% of total revenue (down from 54% in 2019), and any increase in oil revenue will be used to finance the deficit.

The International Monetary Fund (IMF) began talks with Jordan for a new three-year financial assistance program. In a statement following its recent visit to the Kingdom, the IMF acknowledged improvements to Jordan's economy, but added that more is needed to be done to reform the Kingdom's electricity market and boost private sector growth. "Inflation is low, the balance of payments has improved, and international reserves have recently rebounded. Moreover, the financial system remains stable and the authorities have taken important steps to improve the business climate, placing Jordan as one of the world's top three improvers, according to the World Bank's Doing Business Indicators," Chris Jarvis, an adviser to the IMF's Middle East and Central Asia Department, said in a statement at the end of the fund's Article IV mission visit. Jordan has a USD723 million extended fund facility from the IMF, agreed in 2016. The country's debt-to-GDP ratio soared to 103.2% two years ago, but was pulled back to around 84.9% in 2019 because of reforms. Reforms to the country's electricity sector are "vital", the IMF said, adding that a reduction of tariffs was needed as they were undermining the competitiveness of Jordan's businesses.

Rating agency Moody's Investors Service forecast moderate growth for Jordan of 2.4% per year until 2022 in its annual update. It also maintained a B1 credit rating with a stable outlook on the country's sovereign debt, saying reforms had been supportive of it rating.

In the commodities space, Gold (spot) price went up by 3.64%, pushing up further to end the year at USD1,517.27 per ounce, up 18.31%. In oil markets, Brent crude gained 5.72% (YTD +22.68%) and WTI crude rose 10.68% (YTD +34.46%). Kuwait and Saudi Arabia agreed to resume oil production in the shared neutral zone along their border, after more than four years of halting output. The zone's Wafra and Khafji fields stopped pumping due to disputes between the two countries. The oil fields in the area can produce as much as 500,000 barrels per day. Chevron Corp., which operates Wafra field with Kuwait Gulf Oil Co., expects full production there to be restored within 12 months. Officials from both countries did not specify when production would resume, and according to a person with direct knowledge of the matter, such details will require further negotiations. However, a resumption of production is unlikely to add significant amounts of oil to the market because both nations adhere to output limits that the Organization of Petroleum Exporting Countries' (OPEC) has extended until the end of March 2020.

Around the world, major markets enjoyed improvements in December albeit at a smaller scale than emerging markets. In the US, the S&P 500 gained 2.86% (YTD +28.88%) and the Dow Jones rose 1.74% (YTD +22.34%). In Europe, the French CAC 40 Index went up by 1.23% (YTD +26.37%), while the German DAX only managed a 0.10% gain (YTD +25.48%), and in the UK, the FTSE 100 appreciated 2.67% (YTD +12.10%). Meanwhile, in Asian markets, the Nikkei rose 1.56% (YTD +18.20%) and the Shanghai Composite Index advanced 6.20% (YTD +22.30%). Hong Kong's Hang Seng Index advanced 7.00% (YTD +9.07%) to make up for the multiple steep declines faced during the year.

Two U.S. Federal Reserve policy makers reiterated that interest rates are on hold unless there is a material change in the outlook for the US economy. Dallas and Boston's Fed Presidents reinforced the message from the U.S. central bank that policy makers believe they have done enough to support growth following three consecutive rate cuts. The general consensus is that the U.S. economy will have weak manufacturing in 2020, sluggish global growth, sluggish business investment, but a strong consumer. According to the policy makers, there would have to be material change from that outlook for them to back a rate change.

We have tactically capitalized on December's momentum and continue to maintain healthy levels of cash to enable reallocations to countries and sectors with more reasonable valuations, better clarity in terms of cash flows and more attractive dividend yields.

INVESTMENT METHODOLGY & 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

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.

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.

This fact sheet is issued by Al Arabi Investment Group Co. (AB Invest) - formerly known as Atlas Investment Group. AB Invest is a wholly-owned subsidiary of the Arab Bank Group and is an investment banking firm headquartered in Amman, Hashemite Kingdom of Jordan.

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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.