

IIAB MENA Feeder Fund

Performance Report 28.02.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.58**

OBJECTIVE OF THE FUND

The IIAB MENA Feeder Fund is a long-term, medium to high risk investment vehicle that invests in the IIAB Islamic MENA Fund (Master 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

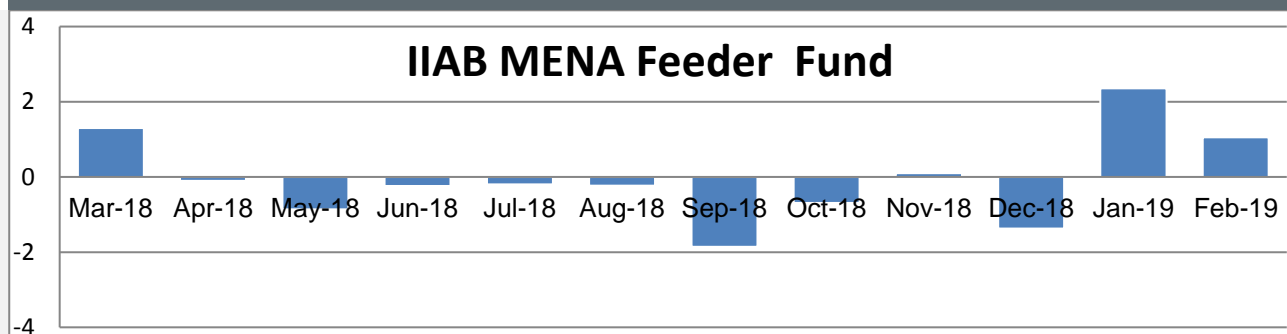
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,828,786	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 10 business days prior to month end
Listing	CISX	BBG code	IIABMEU GU Equity

Important note: For clarity purposes, the figures below represent the performance, asset allocation and holdings of the IIAB Islamic MENA Fund (Master Fund).

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
IIAB MENA Feeder Fund													
2019	2.36	1.05											3.43
2018	-1.05	-1.00	1.24	-0.01	-0.86	-0.24	-2.00	-0.23	-1.86	-0.69	0.10	-1.37	-7.74
2017	0.10	0.01	0.40	0.69	-2.64	0.70	-1.00	-0.95	0.98	-0.28	-2.90	-0.04	-4.91
2016	-8.92	4.95	2.12	2.57	-1.25	-0.04	0.41	-0.12	-1.87	-0.99	4.95	1.81	2.89
2015	0.79	2.36	-3.44	5.70	-0.30	0.30	-0.17	-10.37	0.81	-2.97	0.54	-0.90	-8.19
IIAB Islamic MENA Fund (Master Fund)													
2019	2.41	1.10											3.54
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

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



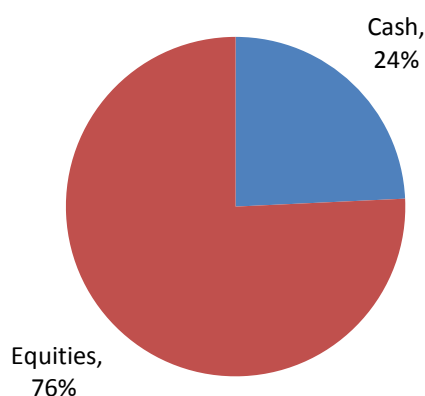
PERFORMANCE STATISTICS (MASTER FUND) | TOP TEN HOLDINGS (MASTER FUND)

PERFORMANCE STATISTICS (MASTER FUND)	
	Portfolio
Annualised return	-4.4%
Annualised volatility	14.0%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.9%
Worst 12 months	-69.9%
Best 12 months	88.9%

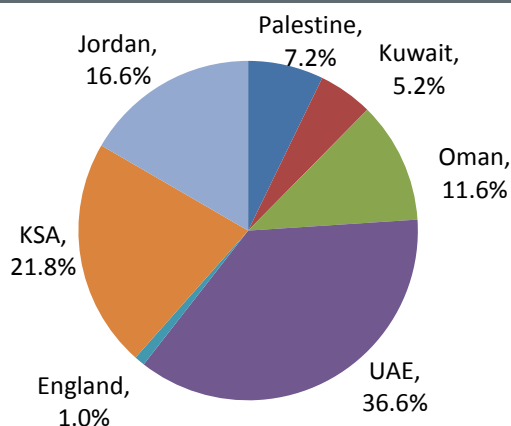
TOP TEN HOLDINGS (MASTER FUND)			
		Country	%
Siniora Food Industries		Jordan	10.34%
Dubai Islamic Bank		UAE	10.18%
Aramex		UAE	9.04%
Ooredoo		Oman	8.77%
Emaar Properties		UAE	8.49%
Saudi Airlines Catering		KSA	7.57%
Palestine Telecommunication		Palestine	5.45%
Human Soft Holding		Kuwait	3.93%
Dallah Health Care Holding		KSA	2.75%
Savola Group		KSA	2.70%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

After a strong recovery in January, MENA markets saw smaller movements this past month. The S&P Pan Arab Investable Index lost 1.06% (YTD +1.73%); while the Dow Jones MENA Index shed 0.77% (YTD +5.42%). Islamic markets were similarly subdued as the Dow Jones Islamic Market MENA Index fell 1.51% (YTD +3.46%). The Arab Bank MENA Fund gained 0.94% (YTD +3.01%); and the IIAB Islamic MENA Fund appreciated by 1.10% (YTD +3.54%). In turn, the AB MENA Feeder Fund rose 0.90% (YTD +2.92%) and the IIAB MENA Feeder Fund rose 1.05% (YTD +3.43%).

Among individual country market indices, performances were mostly positive. In Egypt, the EGX Index extended its yearly gains by 4.79% (YTD +13.56%), while in Jordan, the ASE General Index rose 2.08% (YTD +4.36%). Dubai's DFM Index went up by 2.66% (YTD +4.19%) and Abu Dhabi's Securities Market Index gained 1.84% (YTD +4.53%). The Bahraini Index also rose 1.53% (YTD +5.64%) and the Kuwaiti Index went up by 0.96% (YTD +4.08%). Meanwhile in declining markets, the Saudi Arabian TASI shed 0.53% for the month, but maintained a positive performance for the year (YTD +8.51%), while the Omani MSM30 Index fell by 0.53%, pushing the index further into the red for the year at -4.15%. Furthermore, the Qatari Index dropped a significant 5.68%, leaving its year-to-date performance at -1.82%.

In a new report by the International Monetary Fund (IMF), the UAE's economic growth will accelerate in 2019, driven by increased private sector credit, higher inward investment, government stimulus packages, and the upcoming World Expo 2020 set to take place in Dubai. The country's non-oil growth is projected to rise to 3.9% in 2019 with overall real GDP growth (including oil and non-oil growth) expected to reach 3.7%. This is a significant increase from the 2.9% growth last year, and 0.7% contraction in 2017, when the impact of low oil prices took its biggest toll on regional economies. In addition, the IMF expects inflation to remain low despite the introduction of value added tax (VAT) in 2018, and it believes banks will remain liquid despite the rise in non-performing loans during the latest slowdown.

On the other hand, S&P Global Ratings thinks property prices in Dubai may see further decline yet. A supply glut has built up even as demand fell short, leading to what S&P is calling the market's "long decline" which has seen prices and rents fall by as much as a third since peaking in 2014. If current conditions persist, the rating agency expects prices to fall 5% to 10% in 2019 before gradual stabilization in 2020. However, under the "stress" scenario by S&P, Dubai's property prices could suffer a greater drop in prices and only stabilize in two years.

The IMF projects Kuwait's non-oil growth to increase to around 3.5% in 2020 from 2.5% last year as higher oil prices should boost capital spending. Also, the inflation rate is expected to rise in 2019/2020 to about 2.5% as deflationary factors that arose in 2018 unwind. The IMF said higher oil revenues and investment income helped improve fiscal balance in 2017/2018 reach a surplus of 8% of GDP, which will reach almost 12% of GDP in the fiscal year 2018/2019.

In the commodities market, the price of Brent oil rose 6.69% (YTD +22.73%) and the price of WTI oil went up by 6.38% (YTD +26.01%). The Organization of the Petroleum Exporting Countries (OPEC) has proposed to formalize the loose union between OPEC members and the group led by Moscow, which included some former Soviet republics and other countries like Mexico. Iran and other producers have opposed a tighter partnership, fearing it could be dominated by Saudi Arabia and Russia, the world's top two oil exporters. Such a move would likely draw further criticism from President Trump, who has frequently expressed his disapproval with the group's oil pricing strategies.

In other news, the European Union added Saudi Arabia and a number of other jurisdictions to a blacklist of nations considered a threat due to lax controls on terrorism financing and money laundering. The move is part of a crackdown on money laundering after several scandals at EU banks, which has been criticized by several countries including Britain, who are worried about their economic relations with the listed states. The EU added seven jurisdictions to the previous list of 16. The jurisdictions added had "strategic deficiencies in their anti-money laundering and counter terrorist financing regimes". The Saudi government responded that it regretted the decision in a statement published by the Saudi Press Agency, adding that "Saudi Arabia's commitment to combating money laundering and the financing of terrorism is a strategic priority."



Around the world, markets continued to push higher following strong performances in January. In the U.S., the S&P 500 rose 2.97% (YTD +11.08%) and the Dow Jones gained 3.67% (YTD +11.10%). The country's trade representative said the U.S. was abandoning its threat to raise tariffs to 25% on USD200 billion of Chinese goods for now. The U.S. and China reached a tentative agreement on a mechanism to enforce the trade deal. Some of the more important provisions involved enforcement and currency manipulation. According to the President's chief trade negotiator, the U.S. will need to maintain the threat of tariffs on Chinese goods for years even if a deal is reached; this will allow the U.S. to enforce any such deal. Furthermore, the Federal Reserve has signaled it is done raising interest rates for the time being, and it will be flexible in reducing its balance sheet, which was seen as a stark contrast from its apparent preference for tighter monetary policy last month.

In Asia, the Shanghai Composite Index soared 13.79% this month alone, to bring its yearly performance up to 17.93%. In addition, the Hang Seng rose by a healthy 2.47% (YTD +10.79%) and the Nikkei gained 2.94% (YTD +6.85%). While in Europe, the French CAC 40 appreciated by 4.96% (YTD +10.78%), the German DAX gained 3.07% (YTD +9.06%), and the UK's FTSE 100 rose 1.52% (YTD +5.15%).

We have maintained a focus on high dividend yielding positions, with concentrations in deeply discounted value plays. We will be monitoring the markets closely in the next few months, hunting for overbeaten stocks in the aftermath of the market upgrades expected to take place.

INVESTMENT METHODOLOGY & EDGE

AB Invest is one of the oldest, most experienced and fastest growing investment managers in the MENA region with more than a decade of cumulative quality experience in creating regional risk-adjusted investment solutions. Our investment process is underpinned by a focus on "value" selection, using a combination of top down and bottom up approach. Our knowledge of the constraints in the local markets allows us to adjust our approach and tailor a suitable investment process.

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