

IIAB MENA Feeder Fund

Performance Report 30.09.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.74**

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

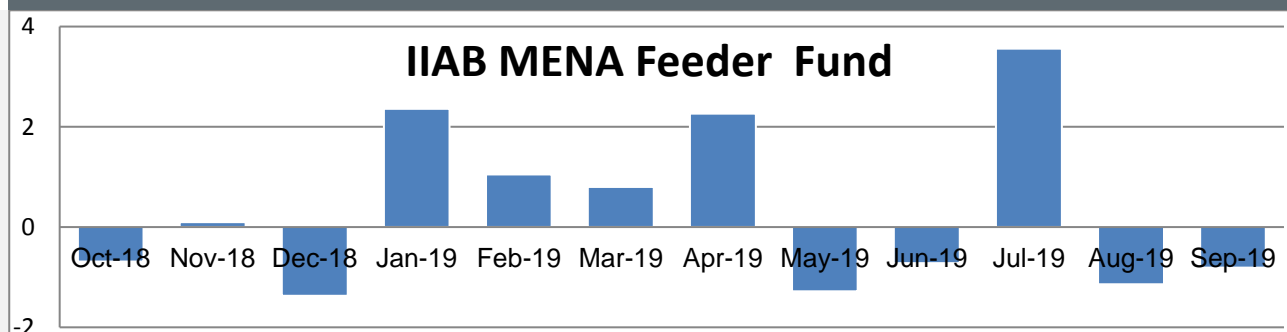
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,912,357	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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	0.80	2.62	-1.28	-0.72	3.56	-1.14	-0.81				6.49
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	0.85	2.65	-1.24	-0.67	3.57	-1.08	-0.76				6.91
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)

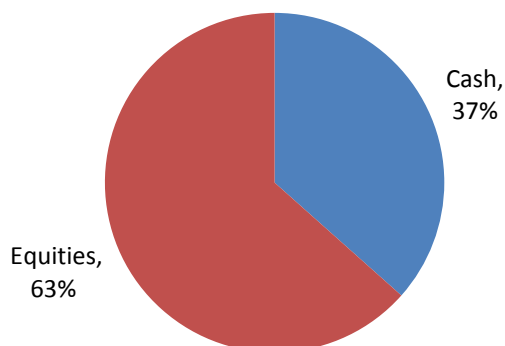
	Portfolio
Annualised return	-4.0%
Annualised volatility	13.8%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.4%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS (MASTER FUND)

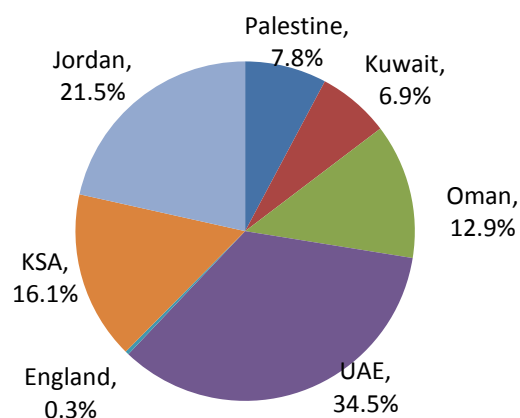
	Country	%
Siniora Food Industries	Jordan	12.07%
Dubai Islamic Bank	UAE	8.85%
Ooredoo	Oman	8.16%
Saudi Airlines Catering	KSA	6.77%
Aramex	UAE	6.76%
Emaar Properties	UAE	6.31%
Palestine Telecommunication	Palestine	4.94%
Human Soft Holding	Kuwait	4.37%
Savola Group	KSA	2.54%
Arab Pesticide And Veterinar	Jordan	1.58%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets experienced another downturn this month albeit less severe than the last. The S&P Pan Arab Investable Index lost 1.43%, nearly reversing its performance since the start of the year (YTD +0.50%). Furthermore, the Dow Jones MENA Index dropped 1.14% but maintained a healthier yearly performance (YTD +4.12%). In addition, in regional Islamic markets, the Dow Jones Islamic Market MENA Index lost 0.87% (YTD +0.77%).

The Arab Bank MENA Fund lost 0.23% (YTD +6.28%) and the IIAB Islamic MENA Fund shed 0.76% (YTD +6.91%). In turn, the AB MENA Feeder Fund rose 0.28% (YTD +5.90%) and the IIAB MENA Feeder Fund lost 0.81% (YTD +6.49%).

The OECD cut almost all economic forecasts in its latest outlook as protectionist policies continue to take a toll on confidence and investment, and risks mount on financial markets. The organization believes governments are not doing enough to prevent the long-term damage that might result from the intensifying trade conflicts, which has sent global growth rates plummeting to lows last seen during the financial crisis. The OECD is the latest institution sounding the alarm over the state of the global economy, where manufacturing has endured the worst of the economic crisis brought on by the ongoing trade war between China and the U.S.

The region's equity market indices had mixed performances. In advancing markets, outside the GCC, the Jordanian ASE Index rose 0.36% (YTD -4.25%), while in the GCC, the Qatari Index gained 1.31% (YTD +0.66%), the Saudi Arabian TASI increased by 0.90% (YTD +3.39%), and Oman's MSM30 Index went up by 0.32% (YTD -7.08%). In the UAE, the DFM General Index appreciated 0.81% (YTD +9.93%), meanwhile the Abu Dhabi Index fell 2.10% (YTD +2.89%). Among other declining markets, the Kuwaiti Premier Market Index dropped 5.41% (YTD +17.23%), the Bahraini Index lost 1.08% (YTD +13.41%), and, finally, the Egyptian EGX30 Index fell by 3.89% (YTD +9.37%).

According to a report by Fitch Ratings, a "significant portion" of the USD23 billion loans made to Dubai government-related entities maturing at the end of 2021 may need to be restructured again. Banks in the UAE, still dealing with the consequences of Dubai's 2010 property crisis, are at risk once again due to falling home prices and non-performing loans. Prices have been impacted by oversupply, weaker consumer sentiment (due to lower oil prices), and a less supportive economic environment.

In Saudi Arabia, drones attacked two plants at the heart of Saudi Arabia's oil industry on 14 September, knocking out more than half the kingdom's output, which, according to a statement by Aramco, is about 5.7 million barrels per day or 5% of global oil supply. However, the country had supposedly restored full oil output by the end of the month.

In other Saudi news, the kingdom is considering a proposal to offer investors a much bigger stake in Aramco than previously planned. The Saudi Royal Court and its advisers have been debating an eventual float of as much as 10% of the company, compared to the country's longstanding public intention to list just 5%. According to Bloomberg's sources, Saudi Aramco could kick off its IPO process around 20 October, ahead of a potential listing on Tadawul in November. The company hopes to achieve a minimum USD2 trillion valuation. However, this information contradicts two other sources who said that the IPO is unlikely to take place this year due to the recent attacks on two of the company's facilities.

Saudi finance minister expects total GDP for 2019 to be significantly less than previously forecasted because of OPEC-led oil output cuts, and not due to the attack on Aramco. He did not give any projections for 2019 GDP growth, but the IMF has said it could grow 1.9% this year, slower than 2.2% in 2018.



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At the same time, the majority of international equity markets had positive performances in September. The U.S.'s S&P 500 gained 1.72% (YTD +18.74%) and the Dow Jones Index rose 1.95% (YTD +15.39%). Over in Europe, the French CAC 40 appreciated 3.60% (YTD +20.02%), the German DAX advanced 4.09% (YTD +17.70%), and the U.K.'s FTSE 100 went up by 2.79% (YTD +10.11%). In the Far East, the Nikkei Index jumped 5.08% this month (YTD +8.70%), the Hang Seng gained 1.43% (YTD +0.95%), and the Shanghai Composite Index rose 0.66% (YTD +16.49%).

The U.S. Federal Reserve voted to lower the Federal Funds target rate by 25bps to a range of 1.75% - 2.00%, and though the central bank's forecast showed no further rate cuts, the members of the Federal Open Market Committee (FOMC) were actually divided on what action the Fed should take moving forward. The last time the Fed released a forecast, the central bank said it did not expect any cuts until 2020.

In the commodities space, spot gold managed to lose 3.15% (YTD +14.81%) from August's closing price, which was the highest in 6 years. In the energy sector, Brent oil gained 0.58% (YTD +12.97%) and WTI oil shed 1.87% (YTD +19.07%).

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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