

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 29.03.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$8.83

## 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	7,708,279	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

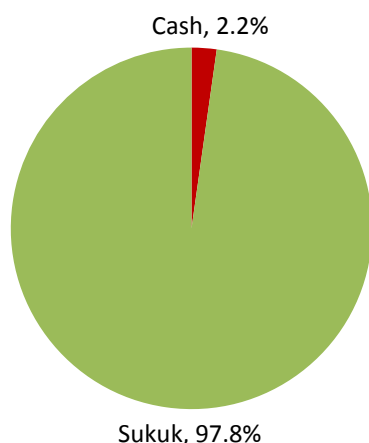
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2019	1.17	0.55	0.91										2.65
Benchmark	0.23	0.23	0.22										0.68
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
2015	0.39	0.37	-0.33	0.56	0.21	-0.57	0.49	-0.51	-0.10	0.04	-1.36	-0.10	-0.91
2014	0.12	0.29	-0.10	0.19	0.27	-0.17	0.12	0.21	-0.44	-0.21	0.27	-1.05	-0.51

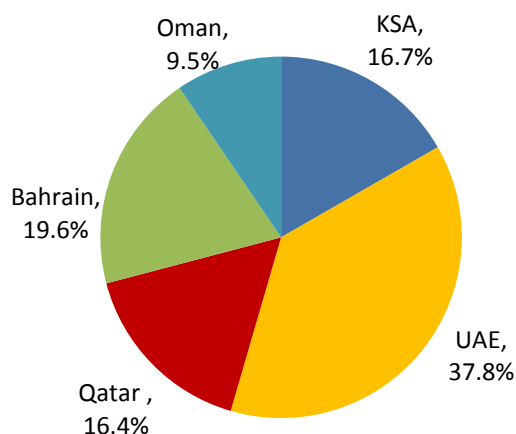
## ASSET ALLOCATION (%)

	Actual
Cash	2.2%
Sukuk	97.8%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

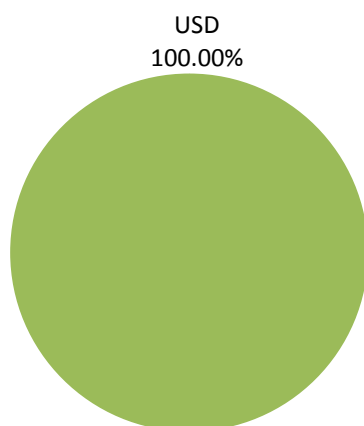


# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 29.03.19

## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	9.91%
State of Qatar Sukuk	6.51%
First Abu Dhabi Bank Sukuk	6.51%
CBB International Sukuk Company	6.49%
Kingdom of Saudi Arabia	6.44%
Dubai Islamic Bank Sukuk	6.43%
CBB International Sukuk Company	6.40%
Qatar Islamic Bank Sukuk	6.38%
Sharjah Islamic Bank Sukuk	6.37%
Saudi Electric Co. Sukuk	6.36%

## COMMENTARY

Sukuk markets recovered alongside equity markets during the month of March. The Dow Jones Sukuk Index rose 1.16% (YTD +2.79%) and the S&P MENA Sukuk Index went up by 1.17% (YTD +3.42%). The IIAB Sukuk & Murabaha Fund gained 0.91% (YTD +2.65%) to close the month at USD 8.83.

In this month's Fed meeting, officials decided to hold interest rates once again and indicated that no more hikes will be coming this year. The Fed's patient approach to monetary policy is allowing inflation to reassert itself, says San Francisco Federal Reserve Bank President, Mary Daly. The decision was unanimous and aligned with market expectations and demands. Following the announcement, 10-year Treasury yields fell to their lowest level in a year as it became apparent that the chances of a hike were slim unless conditions change significantly. The Fed currently holds its benchmark funds rate in a range of 2.25% to 2.5%.

In new Sukuk sales, the Emirate of Sharjah raised USD1 billion through a seven-year Sukuk at a reoffer yield of 3.854% (155 bps over seven-year mid-swaps) compared to an IPT of 180 bps over mid-swaps. The government of Sharjah is rated A3 by Moody's and BBB+ by S&P.

In other issuances, Qatar Islamic Bank completed a successful issuance of USD750 million five-year Sukuk. The paper was more than four times oversubscribed and final pricing for the Sukuk was set at a profit rate of 3.982% (150 bps over mid-swaps). QIB stands among a long list of emerging-markets issuers seeking to take advantage of the pause in U.S. interest rate hikes. Masraf Al Rayan, another Qatari lender, is said to be planning the sale of a benchmark-size USD Sukuk.

Furthermore, government-owned Saudi Real Estate Refinance Company (SRC) issued SAR750 million (USD200) million-worth of domestic Sukuk with multiple tranches. The Sukuk is the first transaction by a non-sovereign issuer in Saudi Arabia this year. The issuance comes under the SRC's SAR11 billion SAR-denominated Sukuk program established in December of last year. There have also been reports of Saudi Telecom (STC) setting up a USD5 billion Sukuk program. STC, majority owned by the kingdom's sovereign wealth fund, aims to diversify its sources of funding and benefit from the features of the international debt capital market. The company may issue Sukuk directly or through an offshore special purpose vehicle.

At the same time, the Saudi Finance Ministry completed its monthly Sukuk issuance for March. The government raised SAR6.075 billion (USD1.62 billion) through two tranches of 10-year and 15-year Sukuk. "The 15-year issuance represents a new benchmark for potential government and private sector issuers to enable them to price off the government's extended yield curve," the Saudi Debt Management Office (DMO) said. Longer-dated debt issues could be used to support financing long-term projects such as infrastructure projects.

In ratings news, Standard & Poor's Global Ratings affirmed Saudi Arabia's credit rating at 'A-/A-2' with stable outlook. The outlook is based on the expectations that the kingdom will maintain moderate economic growth in the next two years. The agency said it expects Saudi Arabia will cut its budget expenditures to meet its target of a balanced budget by 2023.

This month, Fitch Ratings upgraded Egypt's Long-Term Foreign-Currency Issuer Default Rating (IDR) to 'B+' from 'B' with stable outlook. The ratings upgrade comes amid a healthy economic growth environment where authorities will complete the three-year IMF Extended Fund Facility (EFF) in 2019, and, according to the IMF, GDP growth could reach 5.5% in 2019. In addition, it believes government debt-to-GDP ratio is on a downward path, and expects Egypt's budget deficit to narrow to 8.6% of GDP during the fiscal year ending in June.



A protected cell of the IIAB PCC Ltd

However, in Oman, Moody's downgraded the sultanate's credit rating to junk. The agency does not see Oman needing a bailout in the next 12 to 18 months, despite its current cash-strapped state. The country does not have any significant debt redemption coming up and it has sufficient buffers, in the form of foreign exchange reserves and other liquid sovereign wealth fund assets, to get through an unlikely period of "impaired market access".

Meanwhile, the UAE's Finance Ministry announced it would set up a federal debt management office this year and seek a sovereign rating. No rating agency has been appointed yet and, according to the undersecretary of the Finance Ministry, "there is no immediate need for issuance of federal bonds".

The Fund closed the month positioned with an overall weighted average maturity of 3.58 years, and a weighted average yield to maturity (YTM) of 3.95%.

### 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.

This fact sheet is issued by AB Fund Managers (Guernsey) Ltd. IIAB Sukuk & Murabaha MENA Fund is a Cell of IIAB PCC Ltd, AB Fund Managers (Guernsey) Ltd and IIAB PCC Ltd are licensed and regulated by the Guernsey Financial Services Commission. AB Fund Managers (Guernsey) Ltd is a wholly-owned subsidiary of the Arab Bank Group which is headquartered in Amman, Hashemite Kingdom of Jordan.

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.

