

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 29.05.20

A protected cell of the IIAB PCC Ltd

## NAV PER SHARE

\$9.00

## 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

<b>Domicile</b>	Guernsey Channel Islands	<b>Valuation point</b>	Monthly, last business day of the month
<b>Reference currency</b>	USD	<b>Minimum subscription</b>	USD 25,000 & USD 1,000 thereafter
<b>Fund assets</b>	7,856,096	<b>Fund Manager</b>	AB Fund Managers (Guernsey) Ltd
		<b>Investment Advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Launch date</b>	28 February 2008	<b>Dealing frequency</b>	Monthly, 7 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	IIABSUK GU Equity

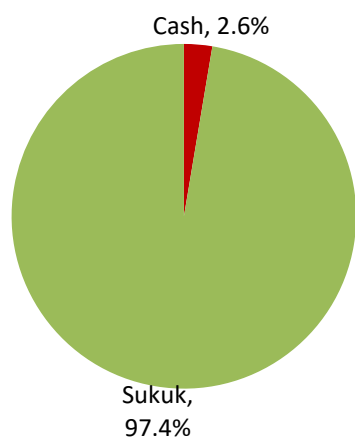
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66	1.00								-1.93
Benchmark	0.16	0.15	0.12	0.12	0.05								0.05
2019	1.17	0.55	0.91	0.62	0.41	0.86	1.01	0.54	0.02	0.03	-0.02	0.39	6.68
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

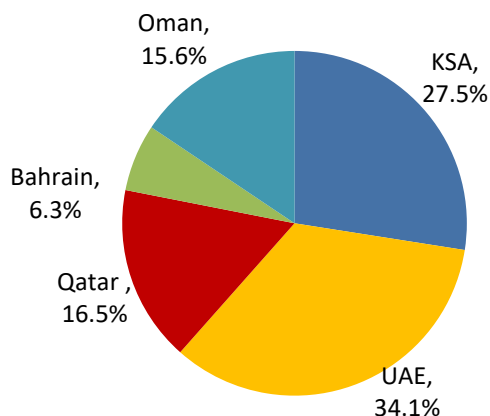
## ASSET ALLOCATION (%)

	Actual
Cash	2.6%
Sukuk	97.4%

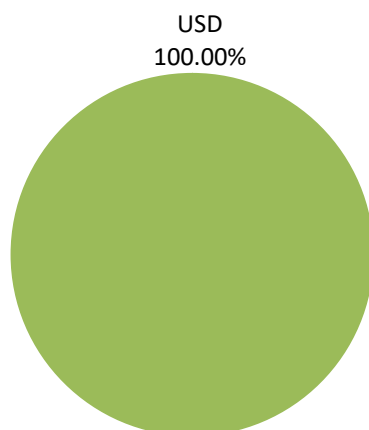
## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)



### CURRENCY ALLOCATION



### TOP TEN HOLDINGS

OMAN SULTANATE	9.04%
Sharjah Islamic Bank Sukuk	8.94%
First Abu Dhabi Bank Sukuk	6.63%
State of Qatar Sukuk	6.63%
Kingdom of Saudi Arabia	6.50%
Dubai Islamic Bank Sukuk	6.49%
Saudi Electric Co. Sukuk	6.48%
Qatar Islamic Bank Sukuk	6.37%
OMAN SULTANATE	6.24%
CBB International Sukuk Company	6.18%

### COMMENTARY

The Sukuk market continued its upward trend to turn positive for the year as investors continued to shake off fears of a great recession in lieu of the COVID-19 pandemic. The Dow Jones Sukuk Index gained 2.28% (YTD 0.57%), and the S&P MENA Sukuk Index was up by 2.43% (YTD 1.61%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund gained 1.00% (YTD -1.93%) to USD 9.00 per share.

The Federal Reserve issued a stark warning during the month that stock and other asset prices could suffer significant declines should the coronavirus pandemic deepen, with the commercial real estate market being among the hardest-hit industries. The Fed made the assertion in its twice-yearly financial stability report, in which it flags risks to the US banking system and broader economy. The document highlighted the central bank's race to intervene in markets and temporarily dial back regulations on financial firms in response to the Covid-19 crisis.

In regional news, Saudi Arabia announced a slew of austerity measures to cope with the impact of the coronavirus pandemic and an oil-price rout, tripling its value-added tax to 15% and cutting cost-of-living allowance for government workers. The steps taken to shore up revenue and rationalize spending are valued at about SAR100 billion (USD26.6 billion) in total, according to the official Saudi Press Agency. Overall spending for 2020 will remain close to what was planned as money saved gets re-allocated to health care and aid for businesses. Saudi Arabian austerity measures also included cutting SAR30 billion (USD8 billion) from programs and mega-projects under the kingdom's plan to end its reliance on oil according to local newspapers.

In related news, Moody's Investor Service cut Saudi Arabia's outlook to "negative" from "stable", citing higher fiscal risks for the Gulf nation due to the crash in oil prices, and uncertainty about the Saudi government's ability to offset the oil revenue losses and stabilize its debt in the medium term. However, the ratings agency affirmed the sovereign credit rating at "A1", citing Saudi Arabia government's "still relatively robust, albeit deteriorating" balance sheet, moderate debt level and substantial fiscal and external liquidity buffers.

A report issued by S&P Global Ratings forecasted that Abu Dhabi's economy will contract 7.5% this year, citing lower oil production and the coronavirus pandemic. The ratings company said Abu Dhabi's economy may recover gradually from 2021, on the back of higher oil prices and improved domestic demand. In the same report, S&P projected Bahrain's economy will shrink 5% this year because of low oil prices, although government stimulus measures should provide some support. The ratings company expects Bahrain's economy to rebound in 2021 as oil prices recover and regional activity increases.

In issuance news, Saudi Arabia has raised SAR5.755 billion (USD1.53 billion) in sukuk, the Finance Ministry said. The first tranche of the sukuk issue is SAR3.8 billion, and the total tranche size is SAR6.549 billion, maturing in 2025, a ministry statement said. The second tranche has a size of SAR1.95 billion, and a total tranche size of SAR10.296 billion, maturing in 2030.



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Meanwhile, Warba Bank has received approval from the Central Bank of Kuwait and the Capital Markets Authority (CMA) for the second issuance of Sukuk at a value not exceeding KWD 150 million. The issuance is part of a Sukuk program at a maximum value of USD2 billion or its equivalent in other currencies, the bank said in a statement to Boursa Kuwait. The deal will have a significant impact on the lender's financial position, by "enhancing the bank's liquidity and diversifying funding sources as well as the bank's general commercial purposes."

The Fund closed the month positioned with an overall weighted average maturity of 2.86 years, and a weighted average yield to maturity (YTM) of 3.67%.

## 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.

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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.

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.

