

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.08.19

NAV PER SHARE

\$9.14

## 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>	7,977,553	<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

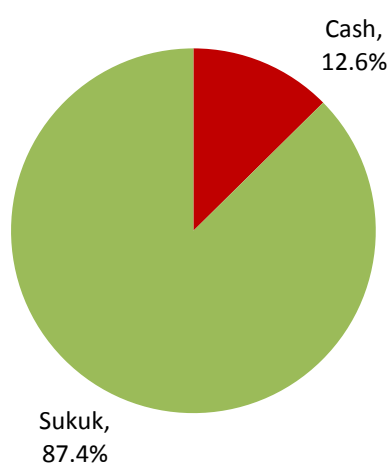
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2019	1.17	0.55	0.91	0.62	0.41	0.86	1.01	0.54					6.24
Benchmark	0.23	0.23	0.22	0.22	0.21	0.21	0.19	0.19					1.71
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

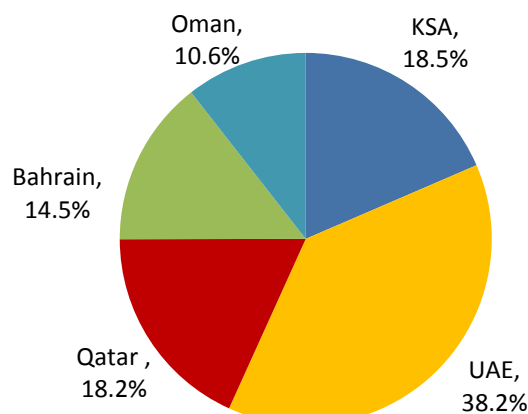
## ASSET ALLOCATION (%)

	Actual
Cash	12.6%
Sukuk	87.4%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

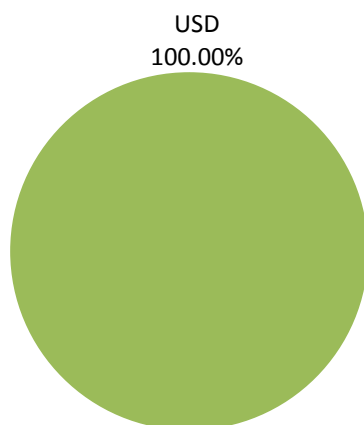


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	6.60%
First Abu Dhabi Bank Sukuk	6.52%
State of Qatar Sukuk	6.52%
Dubai Islamic Bank Sukuk	6.44%
Kingdom of Saudi Arabia	6.42%
CBB International Sukuk Company	6.41%
Saudi Electric Co. Sukuk	6.34%
Sharjah Islamic Bank Sukuk	6.30%
Mumtalakat Sukuk Holding	6.27%
Qatar Islamic Bank Sukuk	6.26%

## COMMENTARY

Sukuk prices rose in August, benefitting from the cut in interest rates late last month. The Dow Jones Sukuk Index gained 1.90% (YTD +7.91%) and the S&P MENA Sukuk Index rose 2.11% (YTD +10.02%). The IIAB Sukuk & Murabaha MENA Fund appreciated 0.54% (YTD +6.24%).

According to a report by Moody's Investors Service, the value of global Sukuk issuance is expected to increase by 6% to reach USD130 billion in 2019, the fourth consecutive annual increase. The forecast is attributable to the increase in Sukuk activity in Saudi Arabia and Malaysia, especially in the first half of the year, where total Sukuk issuance reached USD87 billion. Thus the rating agency anticipates second-half volumes to be around USD43 billion. Though they expect key Islamic markets such as Malaysia, Indonesia and GCC countries to continue issuing regularly, new entrants and green Sukuk could also stimulate issuance. Moody's expects some African sovereigns to enter the market, including Egypt, which set up a Shariah supervisory committee in April to oversee Sukuk issuance.

While no new MENA Sukuk sales were seen in August, several issuers revealed plans of issuances for the coming months. The Egyptian government decided it would not approach international banks to manage the USD1 billion sovereign Sukuk planned for later this fiscal year, but will work only with Arab banks. A ministerial committee is currently reviewing the legislative procedures, which must be in place before the issuance can proceed.

In Dubai, real estate developer First Group is planning to issue USD135 million-worth of Sukuk. The issue will be one of a small number of debt issues in the GCC after business slowed during Ramadan. Meanwhile in Saudi Arabia, the Islamic Development Bank (IDB) hired banks to arrange a new issue of a USD-denominated Sukuk, expected to be worth USD1 billion. The institution, rated triple-A, regularly issues Sukuk to promote Islamic finance and attract liquidity to the Sukuk market. IDB generally issues dollar-denominated Sukuk twice a year; the first issue of 2019 took place in April and was worth USD1.5 billion, the second is expected to take place next month.

Over in Kuwait, Warba Bank hired banks to sell dollar-denominated Sukuk. The issue is expected to be of benchmark size (i.e. at least USD500 million). The Islamic lender is rated 'Baa2' by Moody's and 'A+' by Fitch and last sold Sukuk in 2017, when it raised USD250 million.

The Fund closed the month positioned with an overall weighted average maturity of 2.58 years, and a weighted average yield to maturity (YTM) of 2.68%.



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## 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

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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.

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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.

