

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.03.20

NAV PER SHARE

\$8.77

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	7,651,511	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

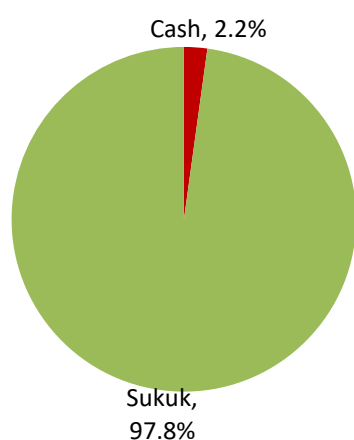
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83										-4.49
Benchmark	0.16	0.15	0.12										0.43
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

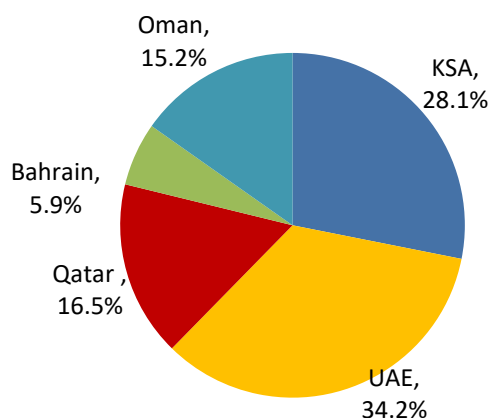
ASSET ALLOCATION (%)

	Actual
Cash	2.20%
Sukuk	97.8%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

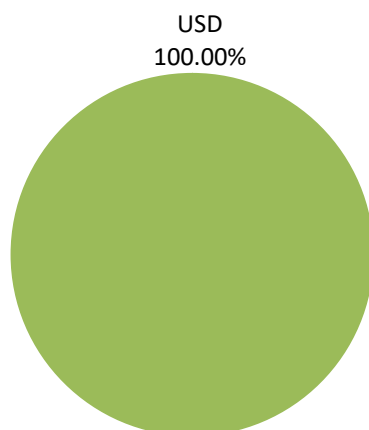


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Sharjah Islamic Bank Sukuk	9.08%
OMAN SULTANATE	8.60%
State of Qatar Sukuk	6.58%
Kingdom of Saudi Arabia	6.54%
Dubai Islamic Bank Sukuk	6.52%
First Abu Dhabi Bank Sukuk	6.46%
Qatar Islamic Bank Sukuk	6.45%
OMAN SULTANATE	6.36%
Saudi Electric Co. Sukuk	6.36%
Arabian Centres	6.20%

COMMENTARY

The Sukuk market declined in line with the performance of the global equity markets with investors rushing to hold cash than risk assets as uncertainty is rising in markets. The Dow Jones Sukuk Index declined 5.59% (YTD -4.09%), and the S&P MENA Sukuk Index shed 5.15% (YTD -3.52%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund dropped 4.83% (YTD -4.49%) to USD 8.77 per share.

The Global economy and financial markets are experiencing an extraordinary disorder due to the spread of Corona virus. The pandemic which started in China in January has spread to over 190 countries in the world. The World Health Organization classified COVID-19 a global pandemic in mid-March. The pandemic is seeing new cases rising at a higher rate outside China, with USA, Italy, Iran, South Korea and Spain being the worst affected countries. Economic risk has grown from being China specific to a global risk due to disruption in business activity/supply chain, reduced travel & tourism, lower consumption, demand destruction, and tightening financial conditions. Risk assets have come under severe selling pressure as volatility reached record highs. The yields on US Treasuries, which is considered the safe haven in times of uncertainty have showed the highest level of volatility since the 2008 financial crisis. Both 10 year and 30 year US Treasury yields fell below 1.0% in early March with 30 year touching an all-time low of 0.70% and 10 year of 0.31%.

Different countries are responding with different severity in containment measures, from forcing reduced working hours in businesses and urging social distancing to complete country lockdown. To counter the negative effects of the COVID-19 pandemic, countries have announced monetary and fiscal measures to help the economy. The Fed delivered two emergency rate cuts totaling 150bps in March. The Fed also announced purchases of US Treasuries and Agency Mortgage Backed Securities along with several measures to calm the debt markets. Other central banks around the world followed suit by cutting interest rates, initiating quantitative easing, lowering bank reserve requirements, deferring taxes, and establishing swap lines to support the shortage of liquidity. In addition, an unprecedented fiscal measures are being pledged by many countries worldwide such as the USD5 trillion in new rescue spending pledged by G20 countries and the passage of USD 2 trillion fiscal stimulus bill in the US by the congress.

March witnessed many rating updates as credit spreads for investment grade and non-investment grade bonds has reached to multiyear highs. Moody's downgraded South Africa's sovereign credit rating to "junk" status. Moody's downgraded the rating one notch to 'Ba1' from 'Baa3' and maintained a negative outlook which means another downgrade could follow if the economy performs worse or government debt rises faster than expected. Standard and Poor's lowered Kuwait's long-term foreign and local-currency sovereign credit ratings to AA- from AA and maintained Kuwait's A-1+ short-term foreign and local currency sovereign credit ratings. Saudi Arabia's long-term foreign currency debt rating was affirmed by S&P at A- with a stable outlook. Likewise, Qatar's long-term foreign currency debt rating was affirmed by S&P at AA- with a stable outlook.



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In corporate updates, S&P Global Ratings has downgraded Dubai's DAMAC Properties to B from B+ and placed the BBB-ratings of Emaar Properties and Emaar Malls on credit watch with negative implications. Also in March S&P revised its outlooks of a few UAE banks such as First Abu Dhabi Bank, Abu Dhabi Commercial Bank, Mashreqbank, Sharjah Islamic Bank and National Bank of Fujairah to negative, while affirming long and short-term issuer credit ratings on these entities. Rating agencies have warned that economic impact of coronavirus coupled with low oil prices are likely to result in margin erosion and loan impairments for banks resulting in more credit rating downgrades of banks in the region.

The IIAB Sukuk & Murabaha MENA fund closed the month positioned with an overall weighted average maturity of 3.01 years, and a weighted average yield to maturity (YTM) of 4.84%.

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.

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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.

