

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 31.07.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$9.09

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>	7,934,901	<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

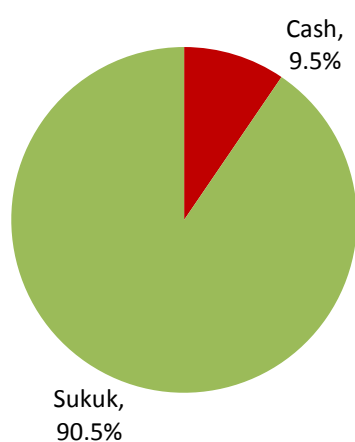
## MONTHLY PERFORMANCE (%)

	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						5.67
Benchmark	0.23	0.23	0.22	0.22	0.21	0.21	0.19						1.52
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

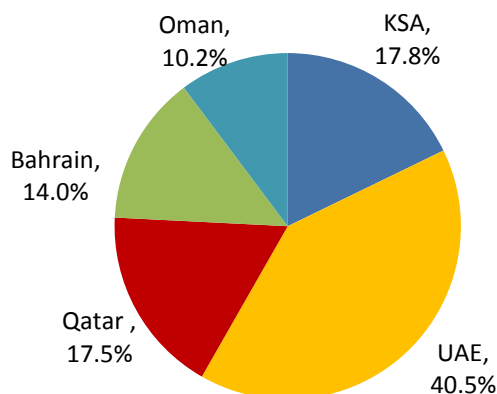
## ASSET ALLOCATION (%)

	Actual
Cash	9.5%
Sukuk	90.5%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

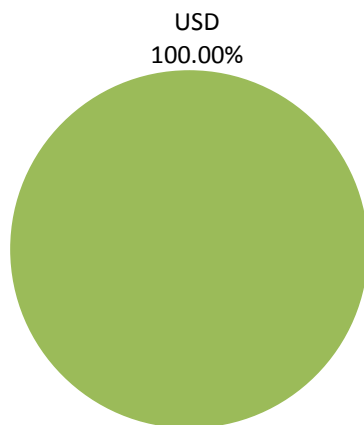


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	9.87%
State of Qatar Sukuk	6.48%
First Abu Dhabi Bank Sukuk	6.48%
CBB International Sukuk Company	6.42%
Dubai Islamic Bank Sukuk	6.42%
Kingdom of Saudi Arabia	6.38%
Saudi Electric Co. Sukuk	6.31%
Sharjah Islamic Bank Sukuk	6.30%
Qatar Islamic Bank Sukuk	6.28%
Mumtalakat Sukuk Holding	6.26%

## COMMENTARY

Sukuk markets rose in parallel with equity markets in July, both preemptively pricing in a rate cut at the end of the month. The S&P MENA Sukuk Index gained 1.14% (YTD +7.75%) and the Dow Jones Sukuk Index rose 0.77% (YTD +5.90%). In similar fashion, the IIAB Sukuk & Murabaha MENA Fund gained 1.01% (YTD +5.67%).

In new issuances, Saudi Arabia sold SAR5.2 billion (USD1.4 billion) in its domestic monthly issue of Sukuk for July. According to the Finance Ministry, the sale was split into three tranches of SAR1.95 billion maturing in 2024, SAR405 million maturing in 2028, and SAR2.8 billion due in 2034.

In the corporate space in Saudi Arabia, Savola Group completed a SAR1 billion Sukuk issuance with subscriptions totaling SAR1.6 billion. The Sukuk carried a maturity of seven years and a return of 160 bps over 6-month SIBOR. The value of the issuance was partially paid in cash (SAR493 million), while the remaining SAR507 was paid through exchanging the Sukuk with part of the previously issued Sukuk.

Over in the UAE, Emirates Strategic Investments Company raised USD600 million from the sale of a five-year USD Sukuk. The Company, rated Baa3 by Moody's, set the final profit rate on the issuance at 3.939%.

This past July, Fitch Ratings affirmed its rating for the Sultanate of Oman at BB+ with a stable outlook. The affirmation gave investors some respite and it potentially paved the way for the country's next debt sale. Fitch's assessment took into consideration Oman's undiversified economy, high fiscal and external deficits, and debt ratios; but noted that the country's external position remained stronger than peers with a similar rating. The statement came after a report by Oman's National Center for Statistics and Information which stated that the budget deficit narrowed in the first five months of the year to OMR358 million (USD931 million), down from OMR1.1 billion the same time last year, a 67% reduction on an annual basis.

The United Kingdom intends to remain the "Western hub of Islamic finance", said the British Economic Secretary to the Treasury at the 2019 London Sukuk and FinTech Summit. The UK was the first non-Islamic country to issue Sukuk when it raised GBP200 million in 2014. The five-year paper in question matured on the 22nd of July, and the government has plans to launch its second sovereign Sukuk. The announcement regarding the second issuance by the UK Chancellor of the Exchequer, Philip Hammond, did not give the size or timing of the new deal. However, it will be Sterling-denominated to allow UK-based Islamic finance institutions to meet their mandatory liquidity requirements without extra FX risk.



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At the end of the last day of the month, the Federal Reserve cut rates by 25 basis points, its first cut since 2008, dubbed the "insurance cut". Federal Reserve Chairman Jerome Powell said that the rate cut was to "insure against downside risks" and did not signal the start of a lengthy easing cycle. Following the Fed's rate cut, central banks in Saudi Arabia, the UAE and Bahrain cut their benchmark interest rates by 25bps. On the other hand, Kuwait kept its discount rate steady as its currency is pegged to an undisclosed basket of currencies, as did Oman where local dynamics drive rates. In Egypt, the latest round of fuel subsidy cuts led the central bank to keep its benchmark interest rate unchanged, even after inflation fell below 10% last month for the first time since March 2016.

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 3.07%.

## 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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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.

