

IIAB MENA Feeder Fund

Performance Report 28.06.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.66**

OBJECTIVE OF THE FUND

The IIAB MENA Feeder Fund is a long-term, medium to high risk investment vehicle that invests in the IIAB Islamic MENA Fund (Master Fund). The IIAB Islamic MENA Fund is an open ended mutual fund that offers investors the opportunity to invest in the capital markets of the Middle East and North Africa region (MENA), with a particular focus on listed equities, whilst adhering to the sharia' principles. The Fund aims to achieve an annual average net return in excess of 11% over a full investment cycle. The Fund aims to carry a lower volatility than that of the market, by dynamically rotating across asset classes, geographies and sectors, depending on market conditions.

KEY FEATURES

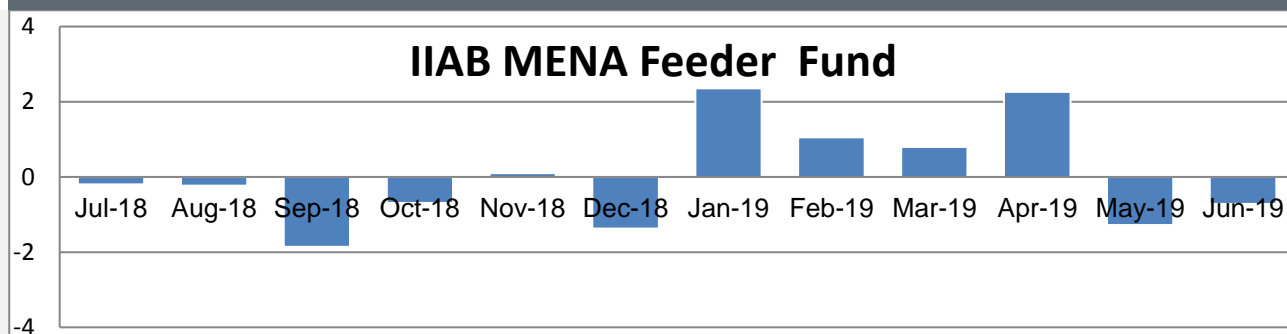
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,867,870	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 10 business days prior to month end
Listing	CISX	BBG code	IIABMEU GU Equity

Important note: For clarity purposes, the figures below represent the performance, asset allocation and holdings of the IIAB Islamic MENA Fund (Master Fund).

MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
IIAB MENA Feeder Fund													
2019	2.36	1.05	0.80	2.62	-1.28	-0.72							4.86
2018	-1.05	-1.00	1.24	-0.01	-0.86	-0.24	-2.00	-0.23	-1.86	-0.69	0.10	-1.37	-7.74
2017	0.10	0.01	0.40	0.69	-2.64	0.70	-1.00	-0.95	0.98	-0.28	-2.90	-0.04	-4.91
2016	-8.92	4.95	2.12	2.57	-1.25	-0.04	0.41	-0.12	-1.87	-0.99	4.95	1.81	2.89
2015	0.79	2.36	-3.44	5.70	-0.30	0.30	-0.17	-10.37	0.81	-2.97	0.54	-0.90	-8.19
IIAB Islamic MENA Fund (Master Fund)													
2019	2.41	1.10	0.85	2.65	-1.24	-0.67							5.15
2018	-0.96	-0.92	1.30	0.06	-0.81	-0.17	-1.94	-0.18	-1.80	-0.64	0.15	-1.31	-7.03
2017	0.16	0.07	0.48	0.74	-2.58	0.79	-0.92	-0.88	1.05	-0.22	-2.83	0.05	-4.10
2016	-8.86	5.04	2.18	2.64	-1.18	0.02	0.48	-0.02	-1.81	-0.92	5.03	1.88	3.78
2015	0.87	2.44	-3.38	5.78	-0.23	0.38	-0.08	-10.32	0.89	-2.92	0.61	-0.83	-7.39

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

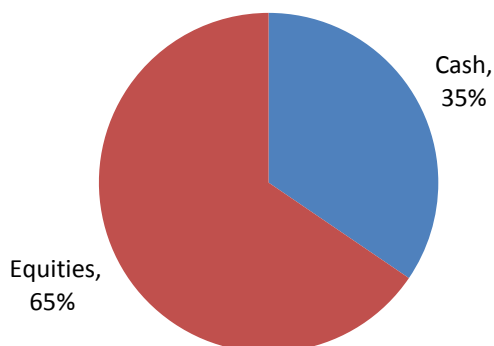
	Portfolio
Annualised return	-4.2%
Annualised volatility	13.9%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.9%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS (MASTER FUND)

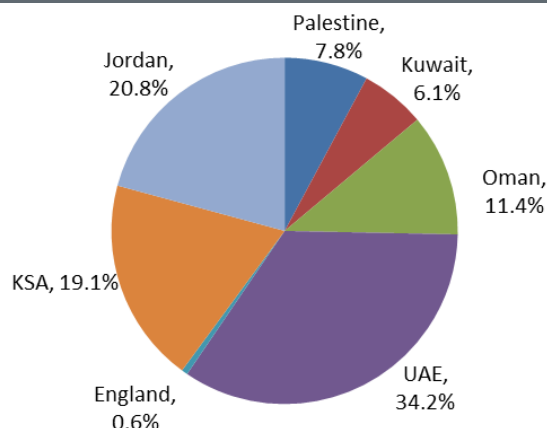
	Country	%
Siniora Food Industries	Jordan	11.29%
Dubai Islamic Bank	UAE	8.72%
Saudi Airlines Catering	KSA	7.57%
Ooredoo	Oman	7.41%
Emaar Properties	UAE	7.15%
Aramex	UAE	6.33%
Palestine Telecommunication	Palestine	5.09%
Human Soft Holding	Kuwait	3.93%
Savola Group	KSA	2.71%
Arab Pesticide And Veterinar	Jordan	2.21%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

In June, MENA markets managed to recover from sharp declines experienced during the previous month. The S&P Pan Arab Investable Index advanced 2.18% (YTD +3.94%) and the Dow Jones MENA Index appreciated 2.44% (YTD +9.14%). Islamic markets also improved, with the Dow Jones Islamic Market MENA Index gaining 2.47% (YTD +6.02%).

The Arab Bank MENA Fund gained 0.33% (YTD +5.05%) and the IIAB Islamic MENA Fund lost 0.67% (YTD +5.15%). Thus, the AB MENA Feeder Fund rose 0.29 % (YTD +4.79%) and the IIAB MENA Feeder Fund fell by 0.72% (YTD +4.86%).

Jordan's ASE General Index outperformed all regional indices this month with an increase of 4.07% (YTD -1.50%). While in Egypt, the EGX 30 Index rose 2.39% (YTD +8.17%). Egypt's non-oil private sector remained under pressure in June, although the pace of contraction slowed from the previous month. The country's Purchasing Managers' Index (PMI) stood at 49.2, up from 48.2, but still below the 50 mark that separates growth from contraction. In addition, analysts believe strengthening in the Egyptian Pound over the past few months could potentially pose a challenge to export-oriented businesses.

Over in the GCC, the Saudi Arabian TASI gained 3.58% (YTD +12.71%). In capital market updates, Saudi Arabia relaxed its 49% limit for foreign strategic investors in shares of listed companies. According to the Capital Market Authority, the move aims to increase market efficiency and attractiveness, and expand the institutional investments base. Some stocks' increased foreign room exceed the required thresholds for MSCI and FTSE inclusion, which may potentially lead to an inflow of USD1 billion into such stocks (on top of inflows already scheduled for the remainder of MSCI and FTSE inclusion). In terms of Saudi macro news, the country's PMI expanded to an 18-month high this June. The index reached 57.4, which is the highest since November 2017. However, contrary to PMI, output in Saudi Arabia's non-oil private sector slowed to a three-month low.

In the UAE, the DFM Index gained 1.46% (YTD +5.09%), while Abu Dhabi's ADSM Index shed 0.47% (YTD +1.32%). A report by Moody's Investor's service revealed that the UAE's value-added tax (VAT) collections came in at more than twice what was expected in 2018, reaching AED27 billion, compared to the government's original projection of AED12 billion. The federal government will retain 30% of collected revenues and distribute the remaining among the emirates, of which Dubai will be the biggest beneficiary.

The Kuwait Premier Market Index went up by 2.16% (YTD +21.07%) following the market's recent upgrade by MSCI to emerging market status (implementation to begin in June 2020). Kuwait's yearly performance shows the market's upgrade has already been priced in by investors, who anticipate the inclusion will attract billions of dollars in investment.

Other markets in the GCC had mixed performances; the Bahraini Index gained 2.62% (YTD +10.00%), the Qatari Index rose 1.78% (YTD +1.52%), while Oman's MSM 30 Index continued its decline with -1.25% (YTD -10.15%).

In the commodities space, investors have been found piling into gold, sending it up by 7.96% this month alone (YTD +9.91%) to close at USD1,409.55, a six-year high. While the rise in the price of the 'safe haven' asset may indicate investor fear about uncertainty and volatility in equity markets, the CBOE Volatility Index (VIX), which measures the stock market's expectation of volatility, dropped 19.40% (YTD -40.68%).

Meanwhile, Brent oil rose 3.19% (YTD +23.70%) and WTI oil appreciated 9.29% (YTD +28.76%). The International Energy Agency (IEA) predicts global supplies will grow faster than demand next year, putting further pressure on OPEC. When asked whether markets could expect a surplus, Saudi Arabia's energy minister said that OPEC and its allies were working on balancing global oil markets by the end of the year. While the IEA is very concerned about the impact of Middle East tensions and physical disruption on global energy security, the strong growth in the price of U.S shale oil has led to a large amount of oil in the markets, providing a ceiling on the price, to the benefit of consumers.



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Other global markets, where sweeping negative performances was the common theme last month, had significant positive performances all round. In the US, the S&P 500 gained 6.89% (YTD +17.35%) and the Dow Jones rose 7.19% (YTD +14.03%). Investors' largest concern in June was the outcome of the Federal Open Market Committee (FOMC) meeting. The Fed left its benchmark interest rate unchanged; however, policymakers showed a shift in sentiment since the last meeting was held. Fed Chairman, Jerome Powell said other officials agree that the case for lower rates is building as downside risks to the U.S. economy have recently increased. Powell did not refer to the size of any potential cut, but he did say that he preferred the Fed act preemptively.

In UK news, the FTSE 100 gained 3.69% (YTD +10.37%), and the Bank of England unanimously voted to keep policy rates unchanged at 0.75% as the perceived risk of a no-deal Brexit has risen. Elsewhere in Europe, the German DAX gained 5.73% (YTD +17.42%) and the French CAC 40 rose 6.36% (YTD 17.09%). ECB policy makers indicated they were open to an interest rate cut and resuming bond purchases if necessary.

In Far Eastern markets, the Nikkei Index gained 3.28% (YTD +6.30%), the Hang Seng rose 6.10% (YTD +10.43%), and the Shanghai Composite went up by 2.77% (YTD +19.45%).

The global economy remains clouded with uncertainty, largely reflecting the heightened trade war between China and the U.S. and, according to analysts, the external risks to international economies is unlikely to subside soon. With geopolitical regional risks still elevated, the markets may become ripe for hunting opportunities in fundamentally overbeaten positions. With a healthy cash position, we will keep a close eye on the markets during the summer, riding the volatility where needed and gradually rebuilding the risk positions that were reduced in the first half of the year.

INVESTMENT METHODOLOGY & EDGE

AB Invest is one of the oldest, most experienced and fastest growing investment managers in the MENA region with more than a decade of cumulative quality experience in creating regional risk-adjusted investment solutions. Our investment process is underpinned by a focus on "value" selection, using a combination of top down and bottom up approach. Our knowledge of the constraints in the local markets allows us to adjust our approach and tailor a suitable investment process.

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