

IIAB MENA Feeder Fund

Performance Report 29.05.20

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.17**

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

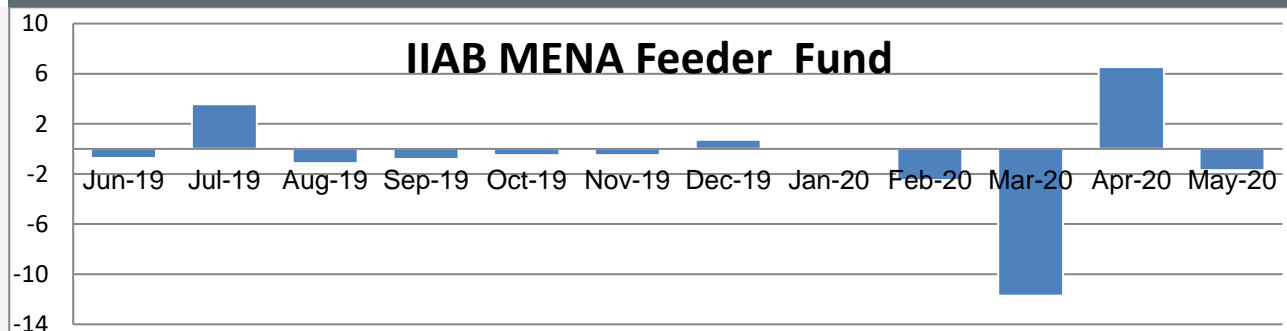
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,619,417	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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													
2020	0.08	-2.49	-11.71	6.53	-1.71								-9.79
2019	2.36	1.05	0.80	2.62	-1.28	-0.72	3.56	-1.14	-0.81	-0.51	-0.50	0.72	6.18
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
IIAB Islamic MENA Fund (Master Fund)													
2020	0.15	-2.41	-11.50	6.49	-1.63								-9.39
2019	2.41	1.10	0.85	2.65	-1.24	-0.67	3.57	-1.08	-0.76	-0.45	-0.45	0.77	6.76
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

MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



PERFORMANCE STATISTICS (MASTER FUND)

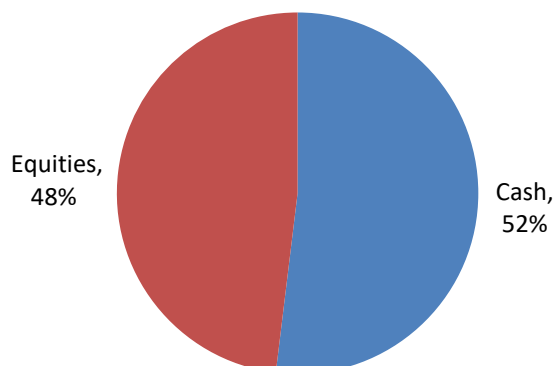
	Portfolio
Annualised return	-4.5%
Annualised volatility	13.9%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	50.7%
Worst 12 months	-72.3%
Best 12 months	94.1%

TOP TEN HOLDINGS (MASTER FUND)

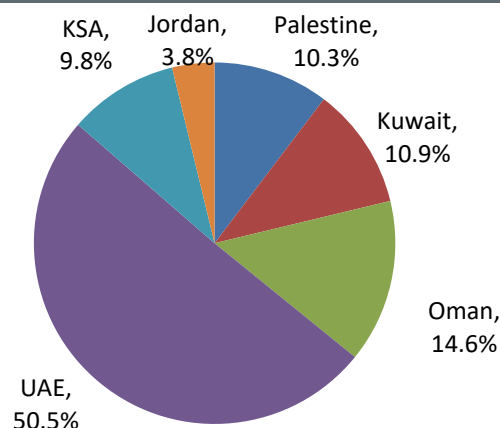
	Country	%
Aramex	UAE	10.14%
Dubai Islamic Bank	UAE	7.31%
Ooredoo	Oman	7.02%
Emaar Properties	UAE	5.26%
Human Soft Holding	Kuwait	5.24%
Palestine Telecommunication	Palestine	4.97%
Saudi Airlines Catering	KSA	3.73%
Arab Pesticide And Veterinar	Jordan	1.82%
Abu Dhabi Islamic Bank	UAE	1.58%
Herfy Food Services	KSA	0.99%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets had a mixed performance with the majority of indices falling after April's strong gains. Benchmark indices though all closed in the green for the month due to the heavier weight of the Saudi TASI. The S&P Pan Arab Investable Index was up by 1.47% (YTD -17.81%), and the Dow Jones MENA Index gained 0.87% (YTD -18.15%). In Sharia compliant capital markets, the Dow Jones Islamic Market MENA Index surged by 2.82% (YTD -13.37%).

The Arab Bank MENA Fund on the other hand fell by 2.27% (YTD -14.16%) and the IIAB Islamic MENA Fund was down by 1.63% (YTD -9.39%). Meanwhile, The IIAB MENA Feeder Fund dropped 1.71% (YTD -9.79%).

The TASI recorded the region's largest gains in May, rising by 1.41% (YTD -14.02%), while the DFM index was the worst performing national index after shedding 4.02% for the month (YTD -29.65%). Other positive performing indices included the Kuwaiti Premier Market Index which was up by 1.27% (YTD -22.24%), and the indices of Qatar and Oman which were up by 0.92% (YTD -15.16%) and 0.14% (YTD 10.97%) respectively. Meanwhile, additional losing indices in the region were the Bahraini Index which was down by 3.14% for the month (YTD -21.15%), Abu Dhabi Index which shed 2.10% (YTD -18.40%), the Jordanian Index which lost 1.49% (YTD -9.47%) and the Egyptian EGX30 which lost 3.16% (YTD -26.80).

In oil market news, Saudi Arabia, joined by the UAE and Kuwait, announced further voluntary production cuts in June, adding around one million barrels to the cuts already agreed amount in the OPEC+ deal.

A report issued by Fitch Ratings maintained that Saudi Banks' financial metrics were sound in the year 2019, but expected to see pressure on the banks' profitability in 2020. It also expected asset quality to weaken but notes that the true impact will be masked by loan deferral programs and regulatory flexibility for banks to recognize impairments under IFRS 9. Meanwhile, S&P ratings agency has said that UAE banks are at risk from a spike in bad loans over the next one to two years as the oil-producing economy is hit by a "triple whammy" of a slump in oil prices, lower economic activity and low interest rates.

In Saudi-specific news, a Moody's credit review issued in May noted that the new fiscal austerity package announced by the government of Saudi Arabia will help offset a portion of this year's revenue loss caused by the sharp decline in oil prices and lower oil production. Saudi Arabia has decided to triple its value added tax (VAT) from 5% to 15% as part of measures to shore up its economy hit by the impact of Covid-19 and low oil prices. It will also suspend the cost of living allowance for government employees. Furthermore, local news outlets have reported that an estimated USD8 billion have been cut from Saudi's 2030 vision projects without affecting the timing of the execution for these projects.

Global markets have continued their bounce during the month maintaining the trend which started in April. In the U.S., the S&P 500 was up by 4.53% (YTD -5.77%) and the Dow Jones gained 4.26% (YTD -11.06%). Meanwhile in Europe, the German DAX increased by 6.68% (YTD -12.55%), the French CAC 40 appreciated 2.70% (YTD -21.46%), and the FTSE 100 was up by 2.97% (YTD -19.43%). In the Far East, the Nikkei Index rose by 8.34% (YTD -7.32%), the Shanghai Composite Index meanwhile, along with the Hang Seng, were down by 0.27% (YTD -6.48%) and 6.83% (YTD -18.55%) respectively. The negative performance in these indices was a reaction to a new security law which the Chinese Parliament passed giving China more control in Hong Kong. This has led to investor jitters of further civil unrest and less autonomy to the Island.

As markets across the world continued their uptrend from the previous month, hopes of a V-shaped recovery have risen after the Coronavirus pandemic and subsequent lockdowns ravaged the markets. Although MENA markets have not so far followed the global recovery trend, we maintain our belief that it is inevitable. Thus, we believe the Funds' investments bought during the market selloff will outperform in the short to medium term, enhancing the chance of return recovery. We continue to screen and evaluate fundamentally sound stocks that offer good value across different countries and sectors while aiming to minimize risk and volatility.



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.

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.

