IIAB MENA Feeder Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.07.19

NAV PER SHARE	$5.86

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

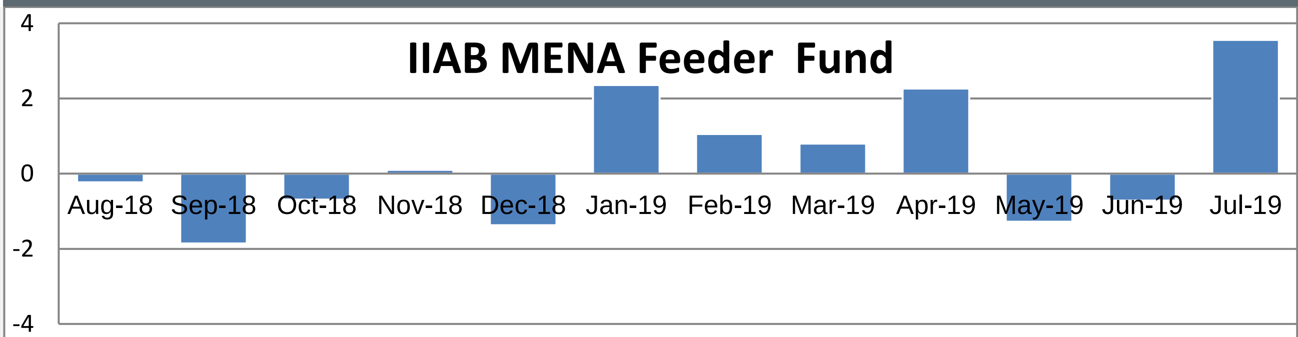
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,970,016	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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	3.56						8.60
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	3.57						8.90
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	-3.9%
Annualised volatility	13.9%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	52.2%
Worst 12 months	-69.9%
Best 12 months	88.9%

TOP TEN HOLDINGS (MASTER FUND)

	Country	%
Siniora Food Industries	Jordan	11.58%
Dubai Islamic Bank	UAE	8.80%
Emaar Properties	UAE	7.43%
Ooredoo	Oman	7.25%
Saudi Airlines Catering	KSA	6.86%
Aramex	UAE	6.37%
Palestine Telecommunication	Palestine	4.89%
Human Soft Holding	Kuwait	4.08%
Savola Group	KSA	2.59%
Arab Pesticide And Veterinar	Jordan	2.02%

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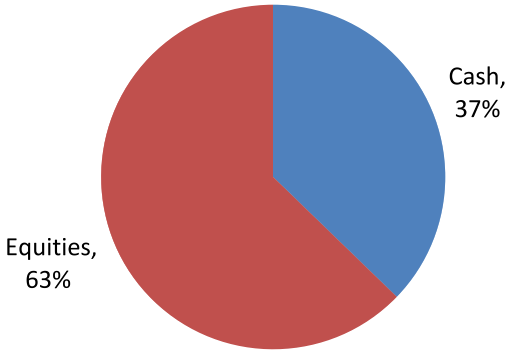
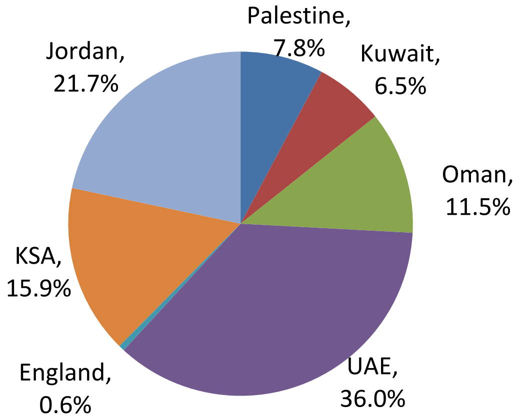
ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets continued to build on the previous two quarters' gains, with the S&P Pan Arab Investable Index gaining 1.77% (YTD +5.78%), and the Dow Jones MENA Index rising 1.24% (YTD +10.49%). Islamic markets went up as well, with the Dow Jones Islamic Market MENA Index going up by 1.01% (YTD +7.10%).

Outperforming their benchmark indices for the month, the Arab Bank MENA Fund gained 3.65% (YTD +8.88%) and the IIAB Islamic MENA Fund rose 3.57% (YTD +8.90%). In turn, the AB MENA Feeder Fund gained 3.64% (YTD +8.60%) and the IIAB MENA Feeder Fund gained 3.56% (YTD +8.60%).

The regional equity markets were a mixed bag of performances. In the UAE, the DFM General Index rose 9.77%, its highest monthly appreciation since April 2015 (YTD +15.36%), and the Abu Dhabi Index gained 6.97% (YTD +8.20%). Elsewhere in the GCC, the Kuwait Premier Market Index rose 5.76% (YTD +28.04%), the Bahraini Index went up by 5.21% (YTD +15.74%), while the Qatari Index only inched up by 0.47% (YTD +2.00%). Meanwhile in declining GCC indices, the Saudi Arabian TASI lost 1.01% (YTD +11.57%) and the Omani Index dropped 3.20% (YTD -13.02%). Outside the Arabian Peninsula, markets generally declined; the Jordanian ASE Index fell by 0.35% (YTD -1.85%) and Egypt's EGX 30 Index depreciated by 5.02% (YTD +2.74%).

In macroeconomic news, the IMF concluded its Article IV Consultation with Saudi Arabia and revealed that it expects that the implementation of the OPEC agreement will hinder real GDP growth this year. Real non-oil growth is expected to strengthen to 2.9% in 2019 with the increase in government spending and confidence. However, real GDP is projected to slow to 1.9% as real oil related economic growth slows to 0.7%. The Saudi government said it posted a budget deficit of SAR33.5 billion (USD8.9 billion) in the second quarter of this year, reversing the surplus of SAR27.8 billion achieved in the first quarter (its first surplus since 2014). The fiscal deficit is expected by the IMF to widen to 6.5% of GDP in 2019 from 5.9% in 2018, as an increase in spending above the budgeted amount offsets the increase in non-oil revenues.

Over in Oman, the IMF cut its 2019 real GDP growth forecast to 0.35% from 1.1% as OPEC-led production curbs reduced oil-sector growth among Gulf energy producers. In reducing its outlook on Oman's real GDP growth, the IMF said it expected the country's oil GDP to decrease by 1.1%. A report by Oman's National Center for Statistics and Information 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. Oman's state budget plan originally predicted a deficit of OMR2.8 billion (or 9%) for 2019, above last year's actual deficit of OMR2.65 billion.

In improved outlooks, the IMF expects Kuwait's economy to grow 2.5% this year, up from an estimated 1.7% in 2018.

In other news, the IMF approved the USD2 billion loan tranche in the fifth and final review of Egypt's economic reform program. This marks the end of the three-year USD12 billion loan program that helped the country overcome a crippling dollar shortage. The country secured the loan in 2016 after taking measures that included devaluation of its currency and fuel subsidy cuts, and has since attracted tens of billions of dollars into its debt market. Acting IMF Managing Director noted that the macroeconomic situation has markedly improved , adding that the outlook remains favorable and "provides an opportune juncture to further advance structural reforms to support more inclusive private-sector led growth and job creation".

In the commodities world, OPEC earlier this month decided to extend production curbs for nine months into March 2020, in an attempt to maintain oil prices as leading exporters worry about the outlook of global demand growth and the persistent rise in output from America's shale fields. The decision to extend production cuts comes as the International Energy Agency (IEA) and others reduced forecasts for demand amid slow growth in China and India. In terms of prices, Brent Oil fell 2.07% (YTD +21.13%) and WTI Oil rose 0.19% (YTD +29.00%).

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The U.S. equity market pushed upward once again, with the S&P 500 Index gaining 1.31% (YTD +18.89%), and the Dow Jones Index appreciating 0.99% (YTD 15.16%). Meanwhile in Europe, the French CAC 40 shed 0.36% (YTD +16.66%) and the German DAX fell by 1.69% (YTD +15.44%). Contrarily in the UK, the FTSE 100 jumped 2.17% (YTD +12.76%) as Brexit advocate Boris Johnson was confirmed as the new Prime Minister, leading to a drop in Gilt yields. In Asian markets, the Shanghai Composite Index lost 1.56% (YTD +17.59%) and the Hang Seng Index dropped 2.68% (YTD +7.48%), while the Nikkei Index gained 1.15% (YTD +7.53%).

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.

Global economic and geopolitical risks and uncertainties remain elevated. As such, we have lightened allocations to markets where valuations remain stretched, due to their higher sensitivities at current price levels. With a healthy cash position, we will keep hunting for deep value plays, gradually rebuilding the risk positions that were reduced in the first half of the year.

INVESTMENT METHODOLGY & 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