

# IIAB MENA Feeder Fund

Performance Report 31.10.18

A protected cell of the IIAB PCC Ltd

**NAV PER SHARE** **\$5.46**

## 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

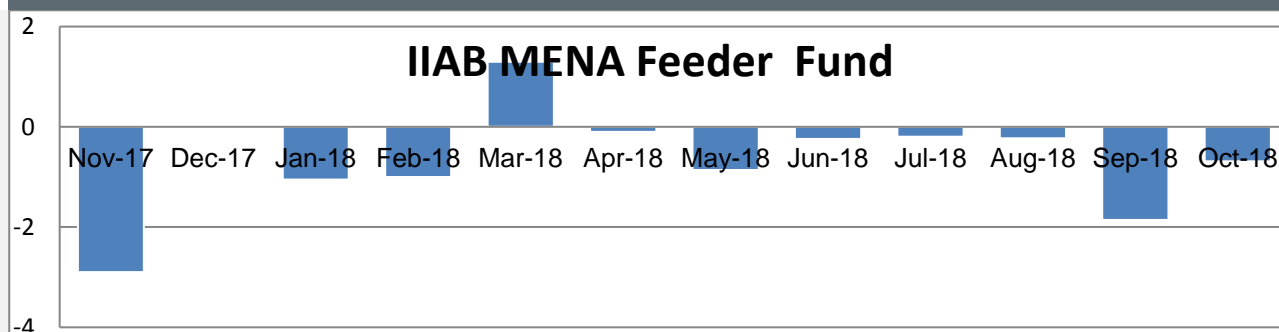
<b>Domicile</b>	Guernsey Channel Islands	<b>Valuation point</b>	Monthly, last business day of the month
<b>Reference currency</b>	USD	<b>Minimum subscription</b>	USD 25,000 & USD 1,000 thereafter
<b>Fund assets</b>	USD 2,770,017	<b>Fund manager</b>	AB Fund Managers (Guernsey) Ltd
		<b>Investment advisor</b>	Al Arabi Investment Group Co (AB Invest)
<b>Launch date</b>	28 February 2008	<b>Dealing frequency</b>	Monthly, 10 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	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.
<b>IIAB MENA Feeder Fund</b>													
2018	-1.05	-1.00	1.24	-0.01	-0.86	-0.24	-2.00	-0.23	-1.86	-0.69			-6.55
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
2014	2.70	1.32	-0.13	1.94	1.89	-2.27	6.45	2.57	0.26	-4.26	-3.24	-0.86	6.06
<b>IIAB Islamic MENA Fund (Master Fund)</b>													
2018	-0.96	-0.92	1.30	0.06	-0.81	-0.17	-1.94	-0.18	-1.80	-0.64			-5.94
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
2014	2.80	1.39	-0.05	2.01	1.96	-2.18	6.54	2.65	0.33	-4.18	-3.17	-0.69	7.15

## MONTHLY RETURN OVER THE PREVIOUS 12 MONTHS



## PERFORMANCE STATISTICS (MASTER FUND)

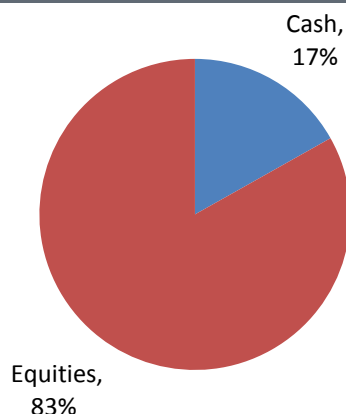
	Portfolio
Annualised return	-4.8%
Annualised volatility	14.2%
Sharpe ratio	NM
Maximum month	8.3%
Minimum month	-25.6%
% Positive months	51.2%
Worst 12 months	-69.9%
Best 12 months	88.9%

## TOP TEN HOLDINGS (MASTER FUND)

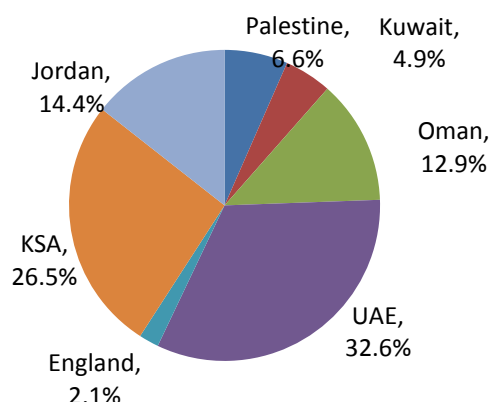
	Country	%
Ooredoo	Oman	9.82%
Siniora Food Industries	Jordan	9.61%
Dubai Islamic Bank	UAE	9.33%
Emaar Properties	UAE	9.05%
Aramex	UAE	8.76%
Saudi Airlines Catering	KSA	7.61%
Dallah Health Care Holding	KSA	6.01%
Palestine Telecommunication	Palestine	5.48%
Savola Group	KSA	4.52%
Human Soft Holding	Kuwait	4.08%



### ASSET ALLOCATION (MASTER FUND)



### GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



### COMMENTARY

MENA markets closed slightly changed following a turbulent month. The S&P Pan Arab Investable Index rose by 0.16% (YTD +2.80%) and the Dow Jones MENA Index fell by 0.51% (YTD +7.28%). Similarly, Islamic markets moved a small amount for the month, with the Dow Jones Islamic MENA Market Index gaining 0.21% (YTD +5.51%). The Arab Bank MENA Fund slipped 0.31% (YTD -0.86%) and the AB MENA Feeder Fund lost 0.36% (YTD -1.28%). The IIAB Islamic MENA Fund fell by 0.64% (YTD -5.94%) and the IIAB MENA Feeder Fund lost 0.69% (YTD -6.55%).

Regional indices were generally on the decline for the month. The Jordanian Index slipped 0.86% (YTD -7.90%) and the Egyptian EGX30 Index fell by 9.35% (YTD -11.78%).

In the GCC, markets were hit heavily by the fall in oil prices during the month. Brent oil fell by 8.76% (YTD +12.86%) and WTI oil lost 10.84% (YTD +8.09%). The Saudi Arabian TASI had dropped 1.16% (YTD +9.42%) by the end of the month after it lost nearly 12.5% by mid-October following the news of the death of Saudi journalist Jamal Khashoggi at the Saudi consulate in Turkey. In Abu Dhabi, the Index fell by 0.68% (YTD+11.45%) and in Dubai, the DFM General Index dropped 1.78% (YTD -17.37%). Kuwait's Premier Market Index also shed 2.05% (+9.53% since the index's inception in April), Oman's MSM30 Index lost 2.66% (YTD -13.26%), and the Bahraini Index fell by 1.78%, erasing all of its year-to-date gains (YTD -1.28%). Despite an environment of general decline, the Qatari Index jumped 4.97% and the Index continues to be the best performer in the region for the year at 20.85%.

Early in October, Saudi Arabia announced plans to increase its budget next year by more than initially forecast, taking advantage of higher oil prices to support economic growth and reduce unemployment. Public spending is expected to reach SAR1.1 trillion (USD 295 billion) in 2019, which is 10% more than the government projected last year. Saudi media sources also said that the government would resume annual allowances for state employees from the start of the new year. The government initially cut civil servants' allowances in September 2016 when it was squeezed by low oil prices, but will reverse the decision after achieving a smaller-than-expected budget deficit.

At the same time, the UAE approved its 2019 budget. The approved federal budget is the largest in the country's history at AED60.3 billion (up 17.3% from the 2018 budget), with 42.3% allocated to social development programs, 17% to education, and 7.3% to the health care sector.

According to the International Monetary Fund (IMF)'s World Economic Outlook report, Oman will become the fastest growing economy in the GCC region next year. The country's GDP is expected to grow by more than 5% in 2019 after a growing by 1.9% this year.

In other news, Bahrain will receive up to USD2 billion from its Gulf neighbors before the end of the year. The amount will be the first installment of the five-year USD10 billion aid package offered by Saudi Arabia, the UAE, and Kuwait to avoid the risk of a debt crisis in the kingdom. Officials said some funds have already arrived in state coffers.

Equity indices around the world saw their worst monthly performances for the year. The S&P 500 lost 6.94% to erase most of the gains it made during the year (YTD +1.43%) and, similarly, the Dow Jones Industrial Average Index shed 5.07% (YTD +1.60%). In Europe, the FTSE 100 fell by 5.09% (YTD -7.28%), the German DAX dropped 6.53% (YTD -11.38%), and the French CAC 40 lost 7.28% (YTD -4.12%). In Asian markets, the Nikkei Index lost 9.12% (YTD -3.71%), the Hang Seng lost 10.11% (YTD -16.51%), and the Shanghai Composite Index fell by 7.75% (YTD -21.30%).

Global political turmoil drove both the U.S.'s Volatility Index (VIX) and Europe's EURO STOXX 50 Volatility (VSTOXX) up by 75.17% (YTD +92.30%) and 37.53% (YTD +50.27%), respectively. VIX is at its highest level since September 2015 and VSTOXX at its highest since November 2016. Furthermore, in increased demand for safe haven assets, the U.S. Dollar Index rose by 2.10% (YTD +5.43%) and spot gold price went up by 2.01% (YTD -6.76%).

Given the surge in volatility in some regional markets in October, we have opportunistically increased some core positions, in addition to executing various tactical trades, especially in the Saudi market. We continue to maintain a fundamentally based approach, with a focus on expected dividend payouts in the next few months



### 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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