

IIAB MENA Feeder Fund

Performance Report 31.12.18

A protected cell of the IIAB PCC Ltd

NAV PER SHARE **\$5.40**

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

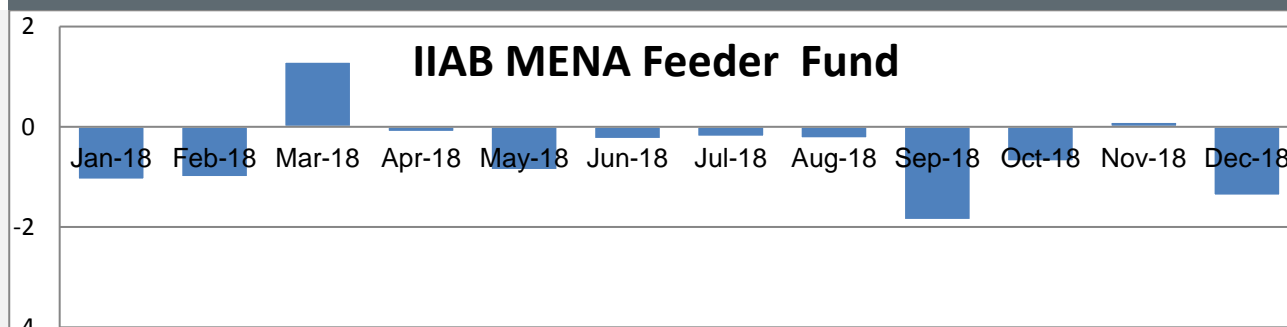
Domicile	Guernsey Channel Islands	Valuation point	Monthly, last business day of the month
Reference currency	USD	Minimum subscription	USD 25,000 & USD 1,000 thereafter
Fund assets	USD 2,734,884	Fund manager	AB Fund Managers (Guernsey) Ltd
		Investment advisor	Al Arabi Investment Group Co (AB Invest)
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													
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
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
IIAB Islamic MENA Fund (Master Fund)													
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
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



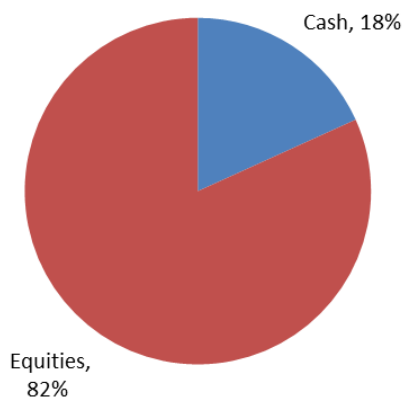
PERFORMANCE STATISTICS (MASTER FUND) | TOP TEN HOLDINGS (MASTER FUND)

PERFORMANCE STATISTICS (MASTER FUND)	
	Portfolio
Annualised return	-4.8%
Annualised volatility	14.1%
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%

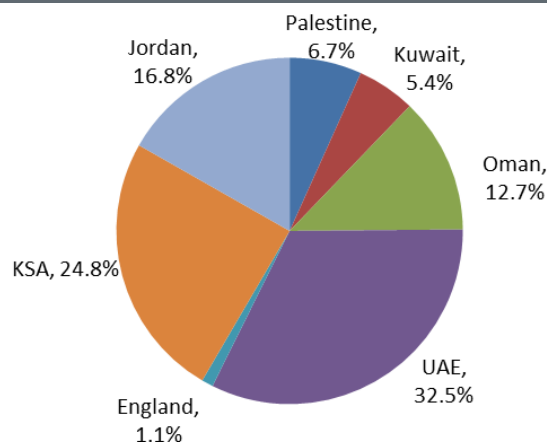
TOP TEN HOLDINGS (MASTER FUND)			
		Country	%
Siniora Food Industries		Jordan	11.48%
Dubai Islamic Bank		UAE	9.54%
Ooredoo		Oman	9.42%
Aramex		UAE	9.14%
Emaar Properties		UAE	7.88%
Saudi Airlines Catering		KSA	7.56%
Palestine Telecommunication		Palestine	5.51%
Dallah Health Care Holding		KSA	4.94%
Human Soft Holding		Kuwait	4.45%
Savola Group		KSA	3.83%



ASSET ALLOCATION (MASTER FUND)



GEOGRAPHIC ALLOCATION (MASTER FUND :EQUITIES)



COMMENTARY

MENA markets remained steady in December despite a decline in global markets. In terms of MENA indices, the S&P Pan Arab Investable Index lost 0.40% (YTD +1.96%) and the Dow Jones MENA Index rose 0.56% (YTD +6.18%). Islamic MENA markets also saw small movement with the Dow Jones Islamic Market MENA Index gaining 0.83% (YTD +4.31%). The Arab Bank MENA Fund shed 0.57% (YTD -2.18%), and the IIAB Islamic MENA Fund lost 1.31% (YTD -7.03%). In turn, the AB MENA Feeder Fund dropped 0.62% (YTD -2.70%) and the IIAB MENA Feeder Fund retreated 1.37% (YTD -7.74%).

In regional indices, the best performing MENA index was the Abu Dhabi Index, which jumped 3.04% (YTD +11.75%). On the other hand, Dubai's DFM Index lost nearly a quarter of its value during the year (YTD -24.93%) after it fell 5.21% this month. Meanwhile in Saudi Arabia, the TASI gained 1.61% (YTD +8.31%) despite a sharp decline in oil prices. The Bahraini Index also gained 0.64% to reverse its losses for the year (YTD +0.42%). Oman's MSM30 Index lost 2.00% (YTD -15.21%), the Qatari Index dropped 0.63% (YTD +20.83%), and the Kuwaiti Premier Market Index fell by 0.95% (+5.35% since the index's inception in April). Outside the GCC, the Jordanian Index gained 2.45% (YTD -10.25%) and the Egyptian index lost 2.13% (YTD -13.21%).

In Saudi Arabian news, the kingdom revealed its budget for 2019, the largest to date, as it continues to boost spending to spur economic growth. Total spending in 2019 is estimated to reach SAR1.106 trillion, up 7% from the SAR1.030 trillion estimated for 2018. Saudi Arabia plans to continue to increase government expenditure beyond 2019, spending SAR1.143 trillion in 2020 and SAR1.170 trillion in 2021. In addition, the government plans to narrow the fiscal deficit to 4.1% of GDP in 2019 (compared to 5% in 2018) and balance the budget by 2023. Saudi Arabia expects oil revenues to increase 9% next year, which is a positive sentiment that contradicts most price forecasts for crude and assumes Brent oil price will average about USD80 per barrel in 2019. On the other hand, the contribution of non-oil revenues to total revenue is also expected to increase with the second year of VAT, excise tax, and expat levy implementations.

Brent oil closed the year at USD53.80 per barrel, down 8.36% (YTD -19.55%), after having reached a peak of USD86.07 in early October. Similarly, WTI oil fell by 10.84% (YTD -24.84%) to close at USD67.04. OPEC and its Russia-led allies met in early December and agreed to slash oil production by 1.2 million barrels per day (bpd), in a move that will be reviewed at a meeting in April. OPEC estimates the global demand for its oil will be 31.4 million bpd next year, more than 6% less than demand from 2017 as economic growth weakens and US shale field productivity continues to improve. The group will consider deeper cuts if the 1.2 million bpd reduction is not enough to rebalance the market.

Meanwhile, Qatar, one of OPEC's smallest oil exporters, said it was withdrawing from OPEC starting January. The country added that the move was not driven by politics, but rather the decision meant it could focus on cementing its position as the world's top liquefied natural gas (LNG) exporter, increasing production from 77 million tons per year to 110 million tons in the coming years.

In other parts of the world, markets saw their worst month of the year. The US's S&P 500 dropped 9.18% (YTD -6.24%) and the Dow Jones Industrial Average Index shed 8.66% (YTD -5.63%) to completely undo any gains they made this year. In European markets, the FTSE 100 lost 3.61% (YTD -12.48%), the French CAC 40 fell by 5.46% (YTD -10.95%), and the German DAX dropped 6.20% (YTD -18.26%). While in Far East Asia, the Nikkei Index retreated by 10.45% (YTD -12.08%), the Hang Seng lost 2.94% (YTD -13.61%), and the Shanghai Composite shed 3.64% (YTD -24.59%).

The US Federal reserve raised interest rates by 25 basis points for the fourth time in 2018 and Chairman Jerome Powell did not change his stance regarding further financial tightening to the degree investors had hoped. A number of GCC central banks followed suit with 25 bp hikes on their key policy rates; Saudi Arabia's SAMA raised its repo and reverse repo rates, the UAE's central bank raised the rate on its certificates of deposit, and Bahrain's central bank raised its one-week deposit facility, its overnight deposit rate and its lending rate. Contrarily, the Kuwaiti central bank kept its discount rate unchanged to bolster economic growth.

Growing uncertainty in the state of global trade led to a jump in volatility indices. In the US market, the VIX index soared 40.68% (YTD +130%) and the European VSTOXX index went up by 29.04% (YTD +76.62%). Furthermore, the price of gold appreciated 5.08% this past month, although it remains 1.56% lower for the year.



A protected cell of the IIAB PCC Ltd

In terms of the outlook for next year, the European Central Bank (ECB) expects the global economy to decelerate in 2019 and stabilize in the years that follow. The slowdown would mainly be driven by higher borrowing costs for dollar debtors and trade tensions between China and the US. The ECB's December economic bulletin also revealed its decision to end its EUR2.6 trillion bond-buying program, which was faced with criticism from those concerned with the weakening economy. Nonetheless, the ECB reaffirmed its confidence that core prices would continue to rise in the medium-term.

Amid surging volatility in commodities, and rising global macro uncertainties, driven by Brexit, the US government shutdown, and friction in US-China trade, to name a few, we continue to position exposures towards overbeaten deep value stocks with relatively better clarity on expected cash flows and dividends.

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

Whilst the information contained in this report is provided in good faith, no representation or warranty, express or implied, is made to its accuracy or completeness.

This fact sheet is issued by AB Fund Managers (Guernsey) Ltd. IIAB MENA Feeder Fund is a Cell of IIAB PCC Ltd, AB Fund Managers (Guernsey) Ltd and IIAB PCC Ltd are licensed and regulated by the Guernsey Financial Services Commission. AB Fund Managers (Guernsey) Ltd is a wholly-owned subsidiary of the Arab Bank Group which is headquartered in Amman, Hashemite Kingdom of Jordan. This Fact Sheet is not an invitation to make an investment, nor does it constitute an offer for sale. In addition, it does not constitute as an advertisement in a country where the Fund is not registered for sale.

For the purposes of FSA regulation, the fund is defined as an "Unregulated Collective Investment Scheme" and the promotion of such schemes either within the UK or from the UK is severely restricted by statute. Consequently, this report is only made available to Professional Clients and Eligible Counterparties as defined by the Financial Services Authority and to persons falling within the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001. The fund is only offered on the basis of the Offering Memorandum and any supplements thereto.

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.

