

# IIAB Sukuk & Murabaha MENA Fund

Performance Report 30.04.19

A protected cell of the IIAB PCC Ltd

NAV PER SHARE

\$8.89

## OBJECTIVE OF THE FUND

The IIAB Sukuk & Murabaha MENA Fund is a medium to long-term, medium-risk investment vehicle with particular focus on sukuk, murabaha and sharia' compliant cash transactions, initiated out of the Middle East & North Africa region. The Fund seeks to earn the highest level of current income, while aiming to achieve a net return exceeding three month USD LIBOR on annualized basis.

## 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	7,756,346	Fund Manager	AB Fund Managers (Guernsey) Ltd
		Investment Advisor	Al Arabi Investment Group Co (AB Invest)
Launch date	28 February 2008	Dealing frequency	Monthly, 7 business days prior to month end
Listing	CISX	BBG code	IIABSUK GU Equity

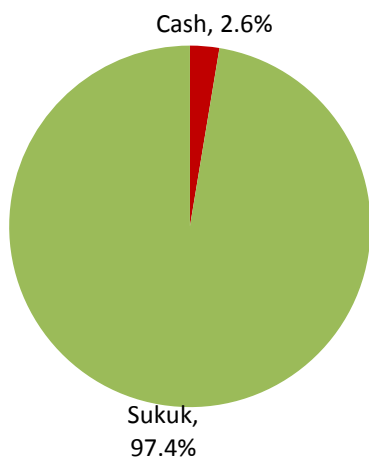
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2019	1.17	0.55	0.91	0.62									3.29
Benchmark	0.23	0.23	0.22	0.22									0.90
2018	-0.23	-0.68	-0.30	-0.20	-0.40	0.09	0.69	0.24	0.18	-0.25	0.05	0.12	-0.68
2017	0.45	0.30	0.07	0.20	0.02	-1.04	0.60	0.21	-0.11	0.00	-0.49	0.13	0.32
2016	-1.47	1.26	0.50	0.25	0.00	0.47	0.50	0.10	-0.07	-0.12	-0.48	0.19	1.13
2015	0.39	0.37	-0.33	0.56	0.21	-0.57	0.49	-0.51	-0.10	0.04	-1.36	-0.10	-0.91
2014	0.12	0.29	-0.10	0.19	0.27	-0.17	0.12	0.21	-0.44	-0.21	0.27	-1.05	-0.51

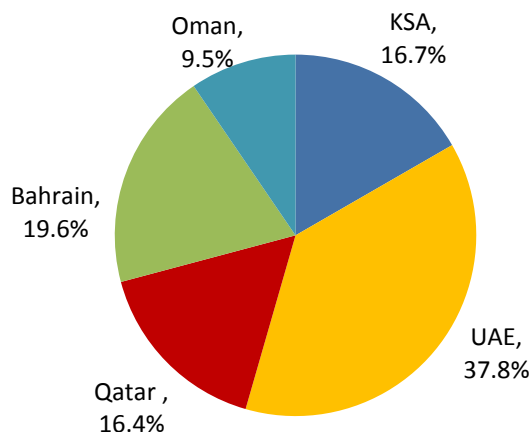
## ASSET ALLOCATION (%)

	Actual
Cash	2.6%
Sukuk	97.4%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

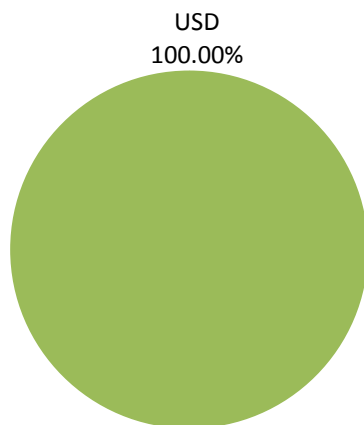


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	9.85%
CBB International Sukuk Company	6.51%
State of Qatar Sukuk	6.50%
First Abu Dhabi Bank Sukuk	6.48%
Dubai Islamic Bank Sukuk	6.43%
Kingdom of Saudi Arabia	6.43%
CBB International Sukuk Company	6.41%
Qatar Islamic Bank Sukuk	6.35%
Saudi Electric Co. Sukuk	6.35%
Sharjah Islamic Bank Sukuk	6.35%

## COMMENTARY

Sukuk markets continued on their upward trajectory for the year. The S&P MENA Sukuk Index gained 0.70% (YTD +4.14%) and the wide-scope Dow Jones Sukuk Index went up by 0.32% (YTD +3.11%). The positive performance of global and regional Sukuk markets was reflected in the IIAB Sukuk & Murabaha MENA Fund's performance, which rose 0.62% (YTD +3.29%) to close the month at USD 8.89 .

A report by S&P Global Ratings said GCC issuance volumes are likely to pick up in the remainder of the year despite slow capital market activity in the first quarter due to volatility in global capital markets. It is expected new issuance volumes to be dominated by Saudi Aramco and Saudi Telecom. Total GCC bond and sukuk issuance for the first quarter came in at around USD1.1 billion, largely from two issuers; Saudi food and beverage company, Almarai, with its maiden USD500 million Sukuk, and Bahrain's sovereign wealth fund, Mumtalakat, which also debuted with a USD600 million Sukuk. With average yields on GCC bonds and Sukuk having fallen in recent weeks, the situation is likely to change.

In April, Sukuk issuances seemed to mostly come from Saudi Arabia. Saudi-based Islamic Development Bank raised USD1.5 billion through a five-year Sukuk issue with the final profit rate set at 2.843% (40 basis points above mid-swaps). At the same time, the government sold SAR9.25 billion (USD2.47 billion) in its first 30-year local currency Sukuk. According to the Minister of Finance, the longer maturity will be valuable for long-term financial pricing and will support developmental and infrastructure projects. The issuance should also work as a reference point to which mortgage and savings products can be priced.

On the sidelines of the Financial Sector Conference in Riyadh, the Saudi Minister of Finance revealed that the kingdom has plans to issue bonds worth SAR210 billion in 2019. After completing the curve of issuance of Saudi bonds, the government will continue issuing monthly bonds as required by the market. The minister noted that the demand for long-term bonds is greater than the demand for short-term ones. Although Saudi fixed income issues are currently focused on riyal and dollar, the kingdom may issue securities in euros this year, depending on market conditions.

In terms of rating changes, S&P affirmed its rating for Saudi Arabia at 'A-' with a stable outlook owing to the country's economic growth and strong fiscal position. The stable outlook reflects the agency's expectation that the kingdom will maintain a pace of moderate economic growth and retain its strong government and external balance sheets at least over the next two years.

Furthermore, Moody's Investors Service upgraded Egypt's long-term foreign and local issuer ratings to 'B2' from 'B3' and the outlook was changed to stable from positive. The decision reflects Moody's expectation that ongoing fiscal and economic reforms will raise real GDP growth in addition to the agency's confidence that Egypt's large domestic funding base make it resilient to refinancing shocks. Moody's said it expected steady improvement in Egypt's fiscal position, "albeit from very weak levels".

Meanwhile, S&P Global Ratings affirmed Oman's 'BB/B' long- and short-term foreign and local currency sovereign credit ratings but cut its outlook on Oman to negative from stable. The negative outlook reflects the risk that fiscal and external buffers will continue to erode in the absence of a favorable external environment or significant fiscal measures to rein in government deficit. S&P also started a 12-month countdown for Oman to steady its public finances and stop loading up on external debt or risk a deeper descent into junk.

The Fund closed the month positioned with an overall weighted average maturity of 3.49 years, and a weighted average yield to maturity (YTM) of 3.84%.



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## INVESTMENT METHODOLOGY AND APPROACH

AB Invest is one of the most experienced and fastest growing MENA investment managers operating out of Jordan. AB Invest provides its clients with a number of MENA-focused investment solutions on conventional and Sharia-compliant bases. Our investment process is based on rigorous fundamental analysis with a view on delivering superior risk-adjusted returns, using a combination of top-down and bottom-up approaches. Our deep knowledge of the markets in which we invest allows us to deliver consistent returns while prudently managing risk.

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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.

