

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 30.06.20

NAV PER SHARE

\$9.13

## 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

<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>	7,968,782	<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, 7 business days prior to month end
<b>Listing</b>	CISX	<b>BBG code</b>	IIABSUK GU Equity

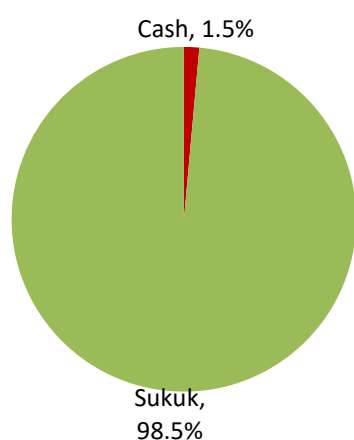
## MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2020	0.52	-0.16	-4.83	1.66	1.00	1.43							-0.53
Benchmark	0.16	0.15	0.12	0.12	0.05	0.03							0.08
2019	1.17	0.55	0.91	0.62	0.41	0.86	1.01	0.54	0.02	0.03	-0.02	0.39	6.68
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

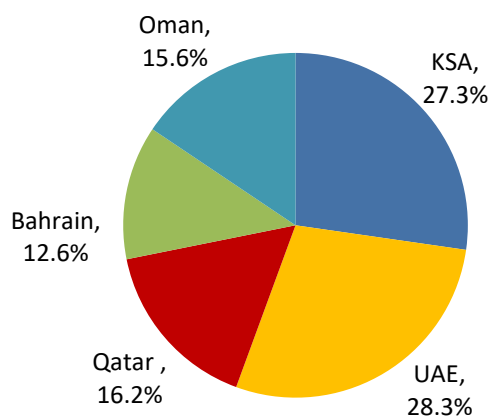
## ASSET ALLOCATION (%)

	Actual
Cash	1.5%
Sukuk	98.5%

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

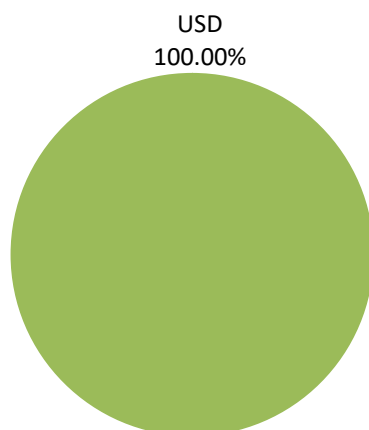


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

OMAN SULTANATE	9.20%
Sharjah Islamic Bank Sukuk	8.87%
First Abu Dhabi Bank Sukuk	6.58%
State of Qatar Sukuk	6.58%
Dubai Islamic Bank Sukuk	6.46%
Kingdom of Saudi Arabia	6.45%
Saudi Electric Co. Sukuk	6.41%
Qatar Islamic Bank Sukuk	6.29%
CBB International Sukuk Company	6.26%
OMAN SULTANATE	6.23%

## COMMENTARY

The Sukuk market registered its third consecutive month of gains to improve its already positive performance for the year as investors continued to pile in the asset class amid historically low interest rates. The Dow Jones Sukuk Index gained 0.88% (YTD 1.46%), and the S&P MENA Sukuk Index was up by 1.20% for the month (YTD 2.83%). Meanwhile, the IIAB Sukuk & Murabaha MENA Fund gained 1.43% (YTD -0.53%) to USD 9.13 per share.

The month started with bleak forecasts about the health of the global economy from different authorities. The Institute of International Finance had worsened the outlook for the six GCC countries, as it now expects output to shrink by 4.4% in 2020. Meanwhile, the World Bank said the global economy will contract the most since World War II this year and emerging nations' output will shrink for the first time in at least six decades due to the Covid-19 pandemic. Finally, the International Monetary Fund (IMF) downgraded its outlook for the coronavirus-ravaged world economy, projecting a significantly deeper recession and slower recovery than it anticipated just months before. The coronavirus crisis will have an even bigger negative impact on the global economy than initially thought, warning that government deficits were set to soar as a result. The global economy will shrink by 4.9% in 2020, the IMF said, a downward revision of 1.9 percentage points from its last forecasts in April.

In Saudi specific news, the kingdom announced a number of stimulus measures to support its economy and nurse it through the COVID-19 pandemic. The Middle Eastern nation will offer a SAR3.7 billion (USD1 billion) stimulus package to support more than 500 small and medium-sized industrial companies hurt by the novel coronavirus. In addition, Saudi Arabia's central bank will pump SAR50 billion (USD13.3 billion) into the kingdom's banking system to help manage the fallout of the coronavirus pandemic and drop in oil prices.

In rating updates, Oman's sovereign rating was cut for a second time this year by Moody's Investors Service as a lower crude price environment will likely slash the Gulf nation's oil revenue. The rating company downgraded the sovereign a notch lower to Ba3 -- three levels into its non-investment grade scale, and changed its outlook to negative. On the other hand, Fitch Ratings affirmed Qatar's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'AA-' with a Stable Outlook. Qatar's 'AA-' ratings reflect a strong sovereign net foreign asset position, one of the world's highest ratios of GDP per capita and a flexible public finance structure allowing for favorable debt dynamics and a robust response to limit the fiscal impact of the coronavirus pandemic. At the same time, Moody's Investors Service has affirmed the long-term ratings of eight UAE based banks, although the agency has changed the outlook to negative from stable on the long-term ratings of these banks.



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In issuance news, Dubai-based port operator DP World raised USD1.5 billion in perpetual Sukuk, at a profit rate of 6.125%. DP World set the final spread for the Sukuk, which is non-callable for 5.5 years, after it began marketing the Sukuk at 6.625% according to Reuters. Meanwhile, Sharjah, the third-largest emirate of the United Arab Emirates, sold USD1 billion in seven-year Sukuk. The Emirate set the final spread at 245bps over midswaps. Furthermore, Dubai Islamic Bank, the United Arab Emirates' largest Islamic lender, sold USD1 billion in long five-year U.S. Dollar Sukuk. The bank sold the Sukuk maturing in January 2026 at 245bps over midswaps. Finally, The Jeddah-based Islamic Development Bank sold USD1.5 billion in five-year Sukuk, which it will use to finance projects in member countries responding to the coronavirus pandemic. The bank set the Islamic bonds' spread at 55 basis points over midswaps. The Fund closed the month positioned with an overall weighted average maturity of 2.96 years, and a weighted average yield to maturity (YTM) of 3.16%.

## 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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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.

