

# IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.01.20

## NAV PER SHARE

\$9.23

## 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>        | 8,052,581                | <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                           |

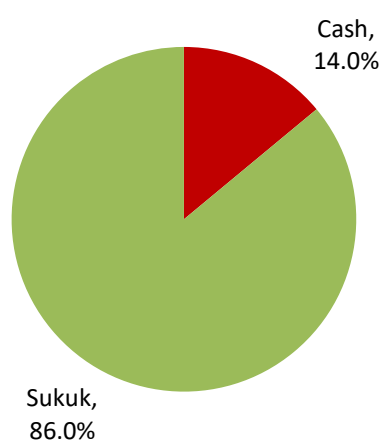
## MONTHLY PERFORMANCE (%)

|           | Jan   | Feb   | Mar   | Apr   | May   | Jun   | Jul  | Aug   | Sep   | Oct   | Nov   | Dec   | Y.T.D. |
|-----------|-------|-------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|--------|
| 2020      | 0.52  |       |       |       |       |       |      |       |       |       |       |       | 0.52   |
| Benchmark | 0.16  |       |       |       |       |       |      |       |       |       |       |       | 0.16   |
| 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  |

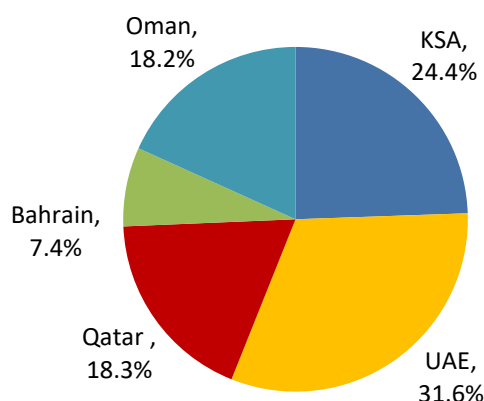
## ASSET ALLOCATION (%)

|       | Actual |
|-------|--------|
| Cash  | 14.0%  |
| Sukuk | 86.0%  |

## ASSET ALLOCATION



## GEOGRAPHIC ALLOCATION (SUKUK)

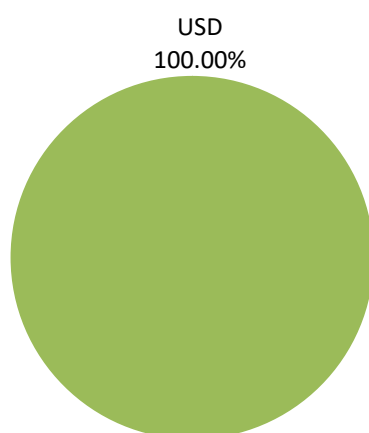


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## CURRENCY ALLOCATION



## TOP TEN HOLDINGS

|                                 |       |
|---------------------------------|-------|
| OMAN SULTANATE                  | 9.55% |
| First Abu Dhabi Bank Sukuk      | 6.47% |
| State of Qatar Sukuk            | 6.46% |
| CBB International Sukuk Company | 6.44% |
| Dubai Islamic Bank Sukuk        | 6.41% |
| Kingdom of Saudi Arabia         | 6.38% |
| Saudi Electric Co. Sukuk        | 6.32% |
| Sharjah Islamic Bank Sukuk      | 6.27% |
| OMAN SULTANATE                  | 6.26% |
| Qatar Islamic Bank Sukuk        | 6.24% |

## COMMENTARY

MENA Sukuk prices appreciated in January. The global Dow Jones Sukuk Index increased 1.10% while the regional S&P MENA Sukuk Index gained 1.17%. In turn, the IIAB Sukuk & Murabaha MENA Fund rose 0.52% to close at a NAV of USD9.23.

In a report by S&P Global Ratings, GCC countries and core Islamic finance markets are expected to drive growth in global Sukuk issuances this year. Total Sukuk issuance is set to experience a 5% increase in 2020, to between USD160 billion and USD170 billion (compared to USD162 billion in 2019). The 2019 issuances were supported by Saudi Arabia's higher issuances of local currency-denominated government Sukuk under its unlimited program. In December, Saudi Debt Management Office (DMO) president said that the Kingdom is targeting domestic and international debt issuances worth SAR76 billion in 2020.

While adoption of new data technology such as blockchain is expected to ease documentation and increase issuance volumes, the rising demand for "green Sukuks" is also likely to help boost issuance volumes. In the meantime, S&P said a protracted conflict could undermine confidence and investment in the region as event risk has rapidly escalated in the Gulf region following recent developments between Iran and the U.S.

In new issuances, Bahrain's sovereign wealth fund Mumtalakat raised USD500 million in Sukuk. The issuance was for a seven-year Sukuk that offers a profit rate of 4.25%. At the same time, Bahrain's GFH Financial Group, rated 'B' by S&P and Fitch, raised USD300 million in a sale that received more than USD750 million in orders. The five-year Sukuk was sold with a profit rate of 7.5%.

In the wider Middle East, Türkiye Sınai Kalkınma Bankası A.Ş. (The Industrial Development Bank of Turkey, or TSKB), arranged the first issuance of Lease Certificates (Sukuk) in the natural gas distribution sector in Turkey. The company initially aimed to raise TRY100 million, but, owing to high demand from investors, the final amount issued stood at TRY150. The issuance was also the second issuance to take place in the energy sector.

Meanwhile, in credit rating updates, rating agency S&P affirmed Kuwait's credit rating at 'AA' with a stable outlook. The agency said that the Kuwaiti economy is still dependent in oil returns, which account for 90% of exports. The stable outlook reflects the S&P's expectation that the country's public and external balance sheets will remain strong over the next two years. Kuwait's net general government asset position is expected to reach 420% of GDP by the end of 2019, considered the highest ratio of all rated sovereigns.

The Fund closed the month positioned with an overall weighted average maturity of 2.97 years, and a weighted average yield to maturity (YTM) of 2.78%.



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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.

