

IIAB Sukuk & Murabaha MENA Fund

A protected cell of the IIAB PCC Ltd

Performance Report 31.05.19

NAV PER SHARE

\$8.92

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	7,788,152	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

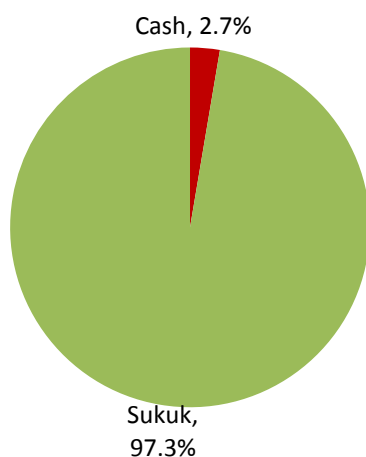
MONTHLY PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Y.T.D.
2019	1.17	0.55	0.91	0.62	0.41								3.71
Benchmark	0.23	0.23	0.22	0.22	0.21								1.12
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

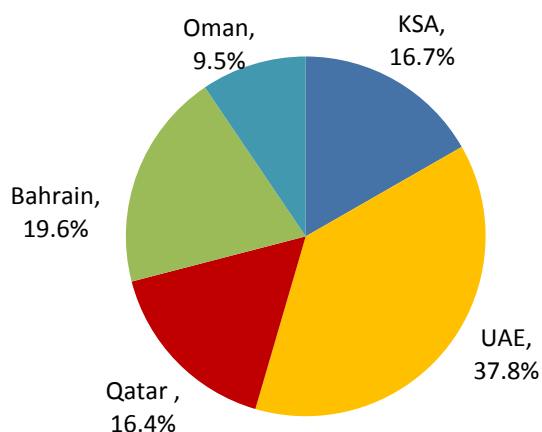
ASSET ALLOCATION (%)

	Actual
Cash	2.7%
Sukuk	97.3%

ASSET ALLOCATION



GEOGRAPHIC ALLOCATION (SUKUK)

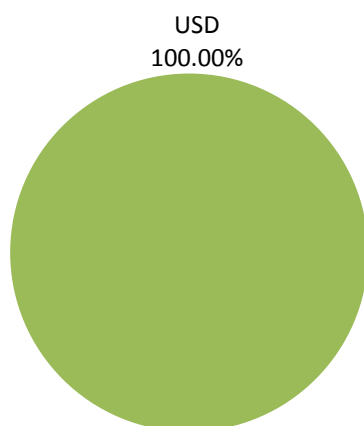


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CURRENCY ALLOCATION



TOP TEN HOLDINGS

Emaar Malls Group Sukuk LTD	9.82%
First Abu Dhabi Bank Sukuk	6.51%
State of Qatar Sukuk	6.50%
CBB International Sukuk Company	6.47%
Dubai Islamic Bank Sukuk	6.43%
Kingdom of Saudi Arabia	6.43%
CBB International Sukuk Company	6.37%
Saudi Electric Co. Sukuk	6.36%
Qatar Islamic Bank Sukuk	6.36%
Sharjah Islamic Bank Sukuk	6.35%

COMMENTARY

The Dow Jones Sukuk Index gained 0.67% in May (YTD +3.81%), and the regional S&P MENA Sukuk Index went up by 0.92% during the same month (YTD +5.10%). Following suit with a 0.41% increase for the month (YTD +3.71%), the IIAB Sukuk & Murabaha MENA Fund closed at USD8.92.

In new issuances, Saudi Telecom Company (STC) announced early in May that it had completed the issuance of a new 10-year USD Sukuk. The offering, which falls under its USD5 billion Sukuk program, amounted to USD1.25 billion and carried a profit rate of 3.89% (135 bps over mid-swaps). The Company, 70% owned by the government, is rated 'A1' by Moody's and 'A-' by S&P.

More from Saudi Arabia, food retailer Savola Group's Board of Directors approved the Company's proposed Sukuk program. The company plans to issue Sukuk denominated in Saudi Riyals worth up to SAR5.3 billion (USD1.41 billion), either directly or through a special purpose vehicle established outside the country. The Company aims to back its financial and strategic needs, as it, along with other consumer goods' companies, has had to cope and manage the effects of subsidy cuts, the introduction of VAT and an exodus of expatriates. The issuance program also comes after Saudi Arabia reduced fees for new debt offerings and annual registration charges for issuers last month, as part of its efforts to spur activity in the local debt market. The value and terms of the first issuance will be determined at a later stage.

At the same time, UAE's Majid Al Futtaim Holding (MAF), rated 'BBB' by both S&P and Fitch, raised USD600 million in a new corporate Green Sukuk issue, the first of such debt in the region. The 10-year paper attracted USD2.8 billion in bids and reached a final spread of 220 bps over mid-swaps. According to the documents, the proceeds will back environmentally friendly projects in areas such as renewable energy and sustainable water management. The company is planning more Green Sukuk offerings as it seeks to boost investments in on-line projects.

Over in Kuwait, Kuwait International Bank (KIB) launched a USD300 million Additional Tier 1 perpetual Sukuk. Initial guidance for the issue was in the 6.250% area. However, the final coupon was set at 5.625%. KIB is rated 'A+' by Fitch.

Meanwhile in Oman, Meethaq, the Islamic banking arm of Bank Muscat, launched its second Sukuk program. The "Sukuk Series 2" was originally for OMR25 million but, after the company gained the Capital Market Authority (CMA)'s approval to exercise a greenshoe option, the offer size was increased to OMR45.6 million. The five-year issue has an indicative profit rate of 5.5% and is part of Meethaq's OMR100 million Sukuk program.

Moody's issued a statement earlier in the month regarding Oman's balance sheet, which it considers strong aside from a few risks. The economic risks arise from the country's continued dependence on oil revenues. The rating agency sees Oman as having a much stronger government balance sheet and external liquidity position than Bahrain, although bond yields and credit default swaps suggest higher risks in Oman than in Bahrain.

The Fund closed the month positioned with an overall weighted average maturity of 3.35 years, and a weighted average yield to maturity (YTM) of 3.79%.



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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.

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.

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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.

