



# Itqan Murabahat & Sukuk Fund



Fact sheet - 31 December 2014

NAV per unit SAR 10.6214

## Portfolio Manager Commentary

The IMS Fund secured its ranking as the No #1 money market fund in the Kingdom of Saudi Arabia over Q4 2014. It finished the quarter with a 1.78% annualized return, a performance that is markedly superior to that of its benchmark and competitors. Globally, fixed income markets have maintained their march higher even as the Fed concluded its unprecedented QE program and US data continued to show a domestic economy that is powering ahead. 10-year US Treasury yields traded in a 2.1-2.4% range over the quarter, down from 2.4-2.6% in Q3, and touched a 17-month low of 1.86% in mid-October. In Europe, 10-year German bund yields rallied aggressively from 0.95% to 0.59% over the same period, a record low. Anemic growth in Europe and outright recession in Japan, as well as global deflationary trends, anchored fixed income yields over the quarter. In addition, the continued standoff between the West and Russia over Ukraine and the potential spill-offs from any further escalation in this conflict

supported demand for safe haven assets, in general. However, what may have blind sighted markets the most over the fourth quarter may have been the shocking breakdown in energy markets, with crude prices sinking by over 40% since 30 September. Long-term factors such as greater fuel efficiency and the rise of US shale oil, coupled with the recent decision by OPEC in end-November to refrain from cutting group production, led to the sharpest decline in oil prices since the global financial crisis. For MENA, GCC bond and Sukuk yields closely tracked their G-10 equivalents lower during the majority of Q4, especially as local equities entered into a bear market in response to the collapsing oil prices. However, following OPEC's decision, even the highest-quality fixed income securities weren't spared from the regional sell-off, with Sukuk having their worst monthly performance since August 2013.

In anticipation of the strong performance of regional Sukuk over the quarter, barring December, we increased our Sukuk allocation from circa 13% to 30% of fund assets. In turn, this higher exposure to fixed income markets over the period greatly contributed to the Fund's stellar performance. Over the long-term, we retain our bias for higher yields in 2015 led by the US. However, we expect a first rate hike by the Fed towards the end of 2015, later than the market consensus. Over the next three months, we believe the prospect of further easing by the ECB as well as strong regional appetite for Shari'ah-compliant debt will underpin GCC Sukuk, unless there is further significant deterioration in energy markets. We remain selective in our buying and prefer issues that benefit from strong credit-quality and high liquidity while offering lucrative yields.

## Fund Performance

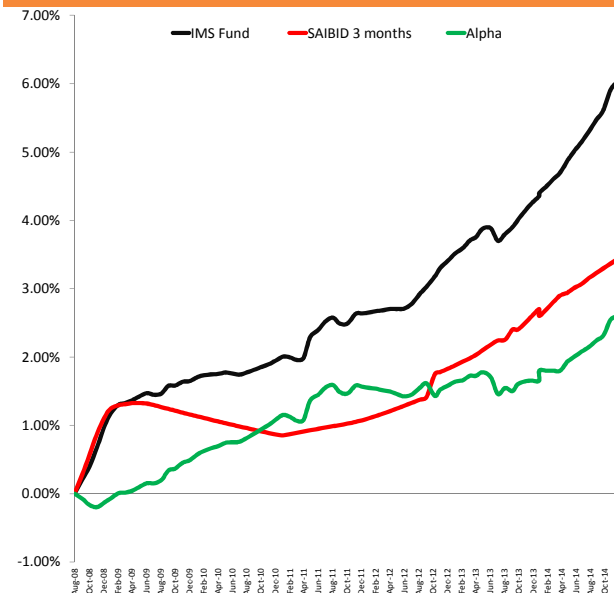
	Fund	Benchmark
2010	0.30%	-0.29%
2011	0.65%	0.25%
2012	0.82%	0.76%
2013	0.83%	0.78%
2014	1.78%	0.82%
Q4, 2014	0.57%	0.19%
Since Inception	6.21%	3.50%

Accumulative Alpha 2.72%

Fund Ranking (as per Tadawul): No. # 1 in KSA

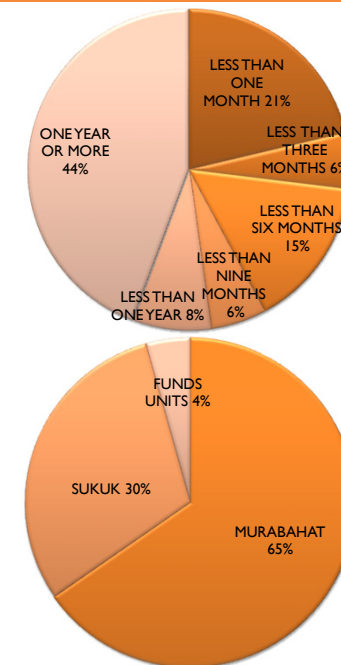
Key Facts	
Fund Manager	Itqan Capital
Fund Class	Capital Preservation
Currency	Saudi Riyal (SAR)
Fund Type	Open-ended Fund
Fund Category	Diversified Public Fund
Subscription	Every working day
Redemption Payment	Thursday & Monday
Valuation Days	Sunday & Tuesday
Redemption Payment	Within 2 working days of next valuation day
Unit Value @ Inception	SAR 10
Commencement	4-Aug-2008
Benchmark	Three months SIBID
Risk Level	Low-Medium
Management Fee	0.25% annually of NAV
Admin & Unit Processing fee	0.15% annually of NAV
Other Fees	0.10% annually of NAV
External Auditor	Ernst & Young

## Performance - Since May 2008



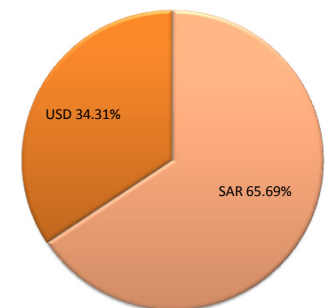
The fund's benchmark was One Month SIBID, on 6th April 2013 the benchmark became equal to Three Months SIBID

## Asset Allocation



## Fund Objectives

Itqan Murabahat & Sukuk Fund (SAR) is a public diversified fund aimed at realizing Shari'ah compliant superior returns while preserving capital participation, providing investors with the facility of redemption upon need and with the best method of risk management. In order to achieve its investment objectives, the Fund will primarily invest in a diversified portfolio of high-quality Shari'ah-compliant short- and medium-term investment instruments including; commodity Murabaha-based transactions, various kinds of listed Sukuk, and units of investment funds investing primarily in Murabahat transactions and/or Sukuk.



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Disclaimer: Neither the past performance of the investment fund nor the past performance of the index is an indication of how the investment fund will perform in the future. There is no guarantee for unit holders that the investment fund's absolute performance or its performance relative to the index will repeat or match past performance.

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