

Al Hilal Global Sukuk Fund



Factsheet – December 2023

NAV per share USD 9.50

Investment objective

The Fund aims to generate appropriate periodic returns on its investments giving the investors a chance to receive periodic coupons in addition to achieving long-term capital growth by investing in a diversified portfolio of Shariah-compliant global fixed-income securities (Sukuk) and in accordance with the controls stipulated in the investment guidelines.

Net asset value

AUM (Mln)

USD 35.76

Investment information

Inception Date	27 March 2012
Base Currency	USD
Benchmark	LIBOR + 100bps
Fund Structure	Open Ended - Abu Dhabi, UAE
Investment Manager	Al Hilal Bank, Investment Banking Group
Investment Advisor	Principal Islamic Asset Management Sdn Bhd
Custodian	Standard Chartered Bank
Administrator	Apex Fund Services Ltd
Min. Subscription	USD 10,000
Dealing Frequency	Weekly
Management Fee	0.85%
Subscription Fee	0.75%
Redemption Fee	None
Bloomberg	ALHGSUK:UH

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Investment commentary

Portfolio

US Treasury (UST) prices continued to rebound sharply in December, with yields plummeting from 4.33% at end-November to 3.88% at end-December (m-o-m 45bps lower). The significant rally was largely driven by growing expectations of potential rate cuts in 2024 amid mixed US economic data, coupled with a surprisingly dovish tone at the December FOMC meeting. On 13th December, the US Fed unanimously voted to keep rates unchanged at 5.25-5.50%, and sent a strong signal that the tightening cycle is over. The committee also revised down its projected Fed Funds Rate in 2024

Market

In early December, 10-year UST yields sank further from 4.33% on 30th November to around 4.10% amid weaker US economic data. In November, ISM manufacturing remained at contractionary level for the 13th consecutive month (46.7 vs. consensus 47.8), as steep borrowing costs and softening demand for goods push companies to reconsider plans for capital expenditures. Other reports such as JOLTS job openings and ADP private payrolls also slowed, suggesting a weakening economy. However, nonfarm payrolls surprised on the upside, pushing UST yields higher again. In November, nonfarm payrolls rose from 150,000 in October to 199,000 (consensus 185,000), unemployment rate dipped from 3.9% to 3.7%, while average hourly earnings grew from 0.2% to 0.4% m-o-m (consensus 0.3%). Furthermore, US headline CPI ticked up from 0.0% in October to 0.1% m-o-m in November (y-o-y down from 3.2% to 3.1%), while core CPI edged higher from 0.2% to 0.3% m-o-m (y-o-y unchanged at 4.0%). The report also showed an increase in core services inflation, driven by higher shelter costs, transportation services and medical-care services. However, 10-year UST yields

and 2025, indicating 75bps and 100bps rate cuts respectively. M-o-m, the UST yield curve bull flattened, with yields sinking by 42-49bps across the board, as investors priced in multiple rate cuts in 2024. The Global Sukuk market rallied strongly in tandem with UST movements. The Fund was well-positioned to capture the rally, and delivered strong returns of 5.56% in December. Major contributors include long-tenured (20 & 30-year) sukuk such as Malaysia and Indonesia sovereign, as well as Saudi Electricity. Going into 2024, the fixed income outlook is positive, as global central banks are expected to cut rates as inflation declines and growth slows.

collapsed to around 3.88% after the US Fed held rates unchanged at 5.25-5.50%, but signaled potential 75bps and 100bps rate cuts in 2024 and 2025 respectively. Chairman Powell also struck a dovish tone, saying the Fed was "aware of the risk" in keeping policy too tight for too long. The final 3Q23 US GDP was lowered from 5.2% to 4.9% q-o-q (consensus 5.2%, 2Q23: 2.1%), led by a downward revision in personal consumption from 3.6% to 3.1%. In the final trading days of the year, 10-year UST yields declined further to touch 3.78% on 27th December, bolstered by strong demand at the new 5-year UST auction, before paring gains to close the year at 3.88%. Meanwhile, Brent crude oil prices initially fell from USD 82.85/bbl at end-November to around USD 72/bbl in mid-December. Despite OPEC+'s announcement of additional supply cuts for 1Q24, market sentiment remained weak amid reports that US crude oil exports were nearing record highs. Nevertheless, Brent prices subsequently recovered to settle at USD 77.04/bbl (m-o-m 7.0% lower), bolstered by the Fed's dovish pivot and Houthi attacks on oil vessels along the Red Sea, reigniting concerns over supply disruption.

Top 5 holdings

#	Name	Sector	Country	Weight
1.	Saudi Electricity 5.500 08/04/44 - GSF	Sovereign & Quasi-sovereign	Saudi	9.15%
2.	OMANGS 4.875 06/15/30 - GSF	Sovereign & Quasi-sovereign	Oman	6.92%
3.	MALAYS 2.07 04/28/31 - GSF	Sovereign & Quasi-sovereign	Malaysia	6.67%
4.	MAFUAE 3.9325 02/28/30 - GSF	Real Estate	UAE	6.65%
5.	TMS ISSUER SARL - 5.78 PCT BDS 23/0 - GSF	Sovereign & Quasi-sovereign	Saudi	5.84%

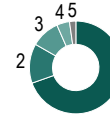
Regional allocation

1 Saudi	24.56%
2 UAE	22.74%
3 Indonesia	13.79%
4 Malaysia	12.05%
5 Oman	10.94%



Sector allocation

1 Sovereign & Quasi-sovereign	68.22%
2 Transportation & Logistics	13.56%
3 Real Estate	9.90%
4 Financial	4.37%
5 Food and Beverage	2.09%



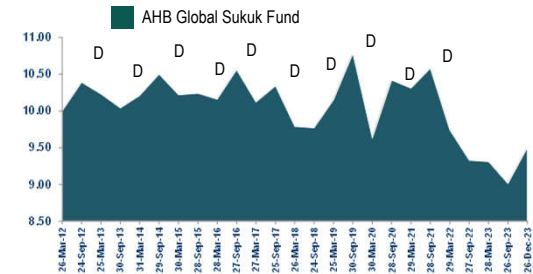
Fund performance

Performance (net)	Fund
Return (Month)	5.56%
Return (YTD)	3.60%
Return (SI) Cumulative	30.36%

Dividend

Date	%
Jan'21	2.55%
Jan'22	4.24%

Source: Bloomberg



Monthly performance (net)

2022	December	0.44%
2023	January	1.31%
2023	February	-0.97%
2023	March	1.20%
2023	April	0.43%
2023	May	-1.07%
2023	June	0.65%
2023	July	-0.21%
2023	August	-1.61%
2023	September	-1.42%
2023	October	-3.44%
2023	November	3.45%
2023	December	5.56%

Fund characteristics

Average Coupon	4.59%
Yield to Maturity	5.11%
Duration (years)	7.97

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