

Al Hilal Global Sukuk Fund

Factsheet – January 2022

NAV per share USD 10.44

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 88.74

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

The US Treasury market started off the new year on a sour note with yields rising across the board, triggered by more hawkish-than-expected US Fed meeting minutes for December. Despite weaker US economic data, US Treasury yields continued to be pressured higher as investors priced in a faster pace of interest rate normalization, after reports showed that US inflation remained elevated in December. M-o-m, shorter-tenured 1-5year US Treasury yields (which are more sensitive to changes in interest rates) jumped by 35-45bps, while the longer 7-30year yields rose by 21-30bps,

Market

In early January, benchmark 10-year US Treasury yields jumped after minutes from the US Fed meeting in December came in more hawkish than expected. According to the minutes, policymakers said they may need to normalize rates sooner and faster than initially anticipated to counter persistently high inflation; therefore opening the door to a rate increase as early as March. Fed officials also discussed how to start shrinking its USD8.8 trillion balance sheet, with most members agreeing to initiate the process soon after the first rate hike. Furthermore, Fed members said the pace of balance sheet reduction may likely be faster than the slow and gradual pace seen in the 2017 normalization cycle. Subsequently, US Treasury yields continued to be pressured higher, with 10-year yields gaining 39bps from 1.51% at end-December to touch 1.90% on 19th January, the highest level in two years, despite weaker-than-expected US economic data. In December, US ISM manufacturing dipped from 60.6 to 58.7, while ISM services tumbled sharply from 68.4 to 62.0, as activities slowed due to the Omicron variant. Meanwhile, the US economy added only 199,000 new jobs in

shifting the curve higher. GCC sukuk prices weakened in tandem with US Treasuries, even as Brent crude oil prices marched higher to USD 90/bbl, a seven-year high. In anticipation of higher bond/sukuk yields, we trimmed our position in longer-tenured sukuk in early January, effectively shortening duration further. Moving forward, the market may continue to fluctuate as global central banks begin to normalize interest rates to contain surging inflation, and as geopolitical tensions escalate. We look to maintain a shorter duration profile until market stabilizes. We also maintain our overweight stance in GCC sukuk due to the region's bright economic outlook.

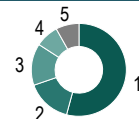
December (consensus 450,000; November revised higher from 210,000 to 249,000), while average hourly earnings rose from 0.4% to 0.6% m-o-m. In addition, headline inflation continued to rise from 6.8% in November to 7.0% y-o-y in December, the highest since June 1982. During its meeting on 26th January, the Fed echoed its earlier statements, with Chairman Powell clarifying that there is "quite a bit of room" to raise rates without threatening the labor market. In the second half of January, 10-year US Treasury yields eased to close the month at 1.78% (m-o-m 27bps higher) as investors mulled the impact of aggressive rate hikes to longer-term growth and inflation. Demand was also supported by escalating geopolitical tensions between Russia and Ukraine. Meanwhile, Brent crude oil enjoyed a positive start to the year, with prices gaining 16.6% from USD 77.94/bbl at end-December to USD 90.85/bbl at end-January, the highest in seven years, bolstered by concerns over a tight supply market amid the heightening Russia-Ukraine conflict. As widely expected, OPEC+ also announced that it will increase oil production by 400,000 bpd in February, as scheduled earlier.

Top 5 holdings

#	Name	Sector	Country	Weight
1.	MAFUAE 3.9325 02/28/30	Real Estate	UAE	7.62%
2.	Perusahaan Penerbit SBSN 4.35% 10/09/2024	Sovereign & Quasi-sovereign	Indonesia	6.62%
3.	DUBAEE 3 3/4 02/15/26 Corp	Transportation and Logistics	UAE	6.19%
4.	KIBKK 2 3/8 11/30/25 Corp	Financial	Kuwait	4.63%
5.	STCAB 3.89 05/13/29 Corp.	Communication	Saudi	4.21%

Regional allocation

1	UAE	44.34%
2	Saudi	12.66%
3	Kuwait	11.77%
4	Oman	6.61%
5	Indonesia	6.41%



Sector allocation

1	Sovereign & Quasi-sovereign	30.78%
2	Financial	22.70%
3	Real Estate	16.80%
4	Transportation and Logistics	15.48%
5	Communication	3.89%



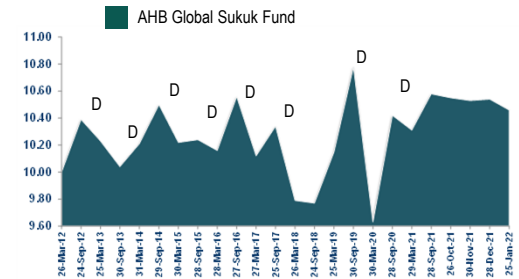
Fund performance

Performance (net)	Fund
Return (Month)	-0.95%
Return (YTD)	-0.95%
Return (SI) Cumulative	37.16%

Dividend

Date	%
Jan'18	3.93%
Jan'20	6.00%
Jan'21	2.55%

Source: Bloomberg



Monthly performance (net)

2021	January	0.57%
2021	February	-0.09%
2021	March	-1.15%
2021	April	0.97%
2021	May	0.48%
2021	June	0.57%
2021	July	-0.10%
2021	August	0.38%
2021	September	0.28%
2021	October	-0.28%
2021	November	-0.19%
2021	December	0.10%
2022	January	-0.95%

Fund characteristics

Average Coupon	3.79%
Yield to Maturity	3.08%
Duration (years)	4.06

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