

# Al Hilal Global Sukuk Fund



Factsheet – October 2023

NAV per share USD 8.70

## 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 33.56

## 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 (UST) market weakened further in October, with benchmark 10-year yields soaring from 4.57% at end-September to touch 5.02% on 23<sup>rd</sup> Oct. Sentiment continued to be hampered by expectations that the US Fed will keep rates higher for longer amid resilient economic data, coupled with concerns over potentially higher UST supply in 4Q23. Nevertheless, 10-year UST yields subsequently fell to 4.80% after Bill Ackman, founder of Pershing Square Capital, said he has covered his short UST positions, before climbing again to close the month at 4.93% (m-o-m 36bps higher).

### Market

In early October, 10-year UST yields initially rose from 4.57% at end-September to around 4.90%, after US economic data came in stronger than expected: ISM manufacturing improved from 47.6 in August to 49.0 in September (consensus 47.9); nonfarm payrolls added 336,000 new jobs vs. consensus 170,000 (August revised higher from 187,000 to 227,000), while average hourly earnings eased from 4.3% to 4.2% y-o-y. Nevertheless, 10-year UST yields subsequently plunged to 4.52% on 12<sup>th</sup> October, driven by a flight to safety due to the Israel-Hamas war. Furthermore, following the recent surge in UST yields, US Fed members have softened their tone regarding future rate hikes, with some suggesting that the rise in yields may effectively act as a substitute to a rate hike. However, 10-year UST yields climbed again to 5.02% on 23<sup>rd</sup> Oct, the highest since 2007, fueled by expectations that the US Fed will keep rates higher for longer, and that the government may boost bond sales to finance its growing budget deficit. In September, headline CPI eased from 0.6% in August to 0.3% m-o-m (y-o-y 3.7%) while core CPI remained firm at 0.3% m-o-m (y-o-y down from 4.3% to 4.1%).

M-o-m, the UST yield curve bear steepened, with shorter 2-year yields rising by 4bps, 5-7 year yields up by 24-32bps, while longer 10-30 year yields climbed by 36-39bps. The Global Sukuk market weakened as well, with selective GCC corporates catching up with UST movements in the prior months. Nevertheless, primary GCC issuances continued to garner strong interest. Saudi's Public Investment Fund's USD 3.5bil debut sukuk was oversubscribed by almost 7x, with 30% allocated to US, UK and European investors. This signals continued strong demand from global investors for GCC issuers, despite the outbreak of the Israel-Hamas war.

Meanwhile, retail sales eased from 0.8% to 0.6%, but surpassed consensus expectations of 0.3%. Sentiment remained weak after US Fed Chairman Powell said monetary policy is "not too tight right now", and remained open to more hikes if necessary. Subsequently, 10-year UST yields declined to 4.80% after Bill Ackman, founder of Pershing Square Capital, said he has covered his short UST positions, citing a slowing US economy; before rising again to close the month at 4.93% (m-o-m 36bps higher). In 3Q23, US GDP jumped from 2.1% in 2Q23 to 4.9% q-o-q (consensus 4.5%), fueled by a surge in consumer spending. Meanwhile, the US Treasury Department announced that it expects to issue USD 776 bil of new securities in 4Q23, USD 76 bil lower than its initial estimate on 31<sup>st</sup> July, offering some reprieve to the market. During the month, Brent oil prices initially fell from USD 95.31/bbl at end-September to around USD 83/bbl, before recovering to settle at USD 87.41/bbl (m-o-m -8.3%) as the Israel-Hamas war raised concerns over potential supply disruptions in the Middle East. On 4<sup>th</sup> Oct, Saudi and Russia confirmed that they will maintain voluntary supply cuts until year-end.

## Top 5 holdings

#	Name	Sector	Country	Weight
1.	Saudi Electricity 5.500 08/04/44 - GSF	Sovereign & Quasi-sovereign	Saudi	8.70%
2.	OMANGS 4.875 06/15/30 - GSF	Sovereign & Quasi-sovereign	Oman	6.98%
3.	MAFUAE 3.9325 02/28/30 - GSF	Real Estate	UAE	6.69%
4.	MALAYS 2.07 04/28/31 - GSF	Sovereign & Quasi-sovereign	Malaysia	6.56%
5.	TMS ISSUER SARL - 5.78 PCT BDS 23/0 - GSF	Sovereign & Quasi-sovereign	Saudi	5.79%

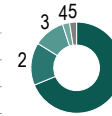
## Regional allocation

1 Saudi	23.77%
2 UAE	20.82%
3 Malaysia	11.31%
4 Oman	10.98%
5 Indonesia	9.60%



## Sector allocation

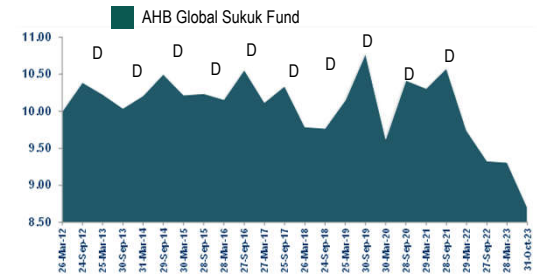
1 Sovereign & Quasi-sovereign	62.56%
2 Transportation & Logistics	13.75%
3 Real Estate	10.06%
4 Financial	2.31%
5 Food and Beverage	2.22%



## Fund performance

Performance (net)	Fund
Return (Month)	-3.44%
Return (YTD)	-5.13%
Return (SI) Cumulative	19.38%

Source: Bloomberg



## Monthly performance (net)

2022	October	-2.79%
2022	November	0.66%
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%

## Fund characteristics

Average Coupon	4.22%
Yield to Maturity	5.73%
Duration (years)	7.13

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