

Al Hilal Global Sukuk Fund



Factsheet – September 2021

NAV per share USD 10.58

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 99.16

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

For further information please contact:

Asset Management Department
P.O.Box 63111
Abu Dhabi, UAE
Tel (Int'l): +971 2 499 4220 | Tel (UAE): 800 66 66 66
Email: assetmanagement@alhilalbank.ae



Investment commentary

Portfolio

In September, Global Sukuk prices started the month on a positive note, with prices rallying across the board as stable US Treasury yields supported buying activities. However, Global Sukuk prices weakened in the final week of September, in tandem with US Treasury movements following hawkish remarks from the US Fed and Bank of England (BoE). M-o-m, 10-year US Treasury yields rose by 18bps from 1.31% to 1.49%. Nevertheless, GCC sukuk prices continue to be buoyed by higher Brent crude oil prices, benefitting from the ongoing energy crunch in Europe and China. Meanwhile,

new Global Sukuk issuances continue to be very well oversubscribed, e.g. USD 350mil Kuevayt Turk Bank (11.4x BTC) and USD 600mil Ahli United Bank Bahrain (2.2x BTC). During the month, the portfolio took profit on SECO 31 and DIB 25, and reinvested in higher yielding Kuevayt Turk and Dukhan Bank. We also switched from shorter Oman 24 to longer Oman 30 given Oman's improving economic outlook. Overall, the portfolio continues to overweight corporate sukuk over sovereigns for the additional yield pickup. We also remain overweight GCC sukuk, which directly benefit from higher oil prices and rapid vaccination rate in the region.

Market

In the first three weeks of September, 10-year US Treasury yields were stable, trading in a tight range of 1.26-1.38%, supported by disappointing US economic data. In August, the US economy added only 235,000 new jobs, the slowest in seven months, and significantly missing consensus estimates of 733,000. Employment in leisure and hospitality, which has posted strong gains recently, was flat amid the spreading Delta variant and persistent hiring challenges. Nevertheless, nonfarm payrolls for July was revised higher from 943,000 to 1,053,000, driving the unemployment rate lower from 5.4% to 5.2% in August. Meanwhile, US ISM services fell sharply from its all-time high of 64.1 in July to 61.7 in August, as business activity dropped to the lowest level since February. US Treasury yields were also supported by easing inflation. In August, headline CPI cooled from 5.4% y-o-y to 5.3%, while core CPI eased more than expected from 4.3% y-o-y to 4.0% (consensus 4.2%). However in the final week of September, US Treasury yields rose across the board following hawkish statements from the US Fed and BoE. On 22nd September, the US Fed signaled that it may start

tapering its asset purchases as early as November, and aims to complete the process by mid-2022. While the announcement was broadly expected, the Fed's updated interest rate projections imply a more hawkish normalization path. Chairman Powell asserted that the forecasts reflect the Fed members' personal views, and should not be taken as a policy guidance. The Fed also sharply downgraded its US GDP forecast for 2021 from 7.0% in June to 5.9% (2022: up from 3.3% to 3.8%). PCE inflation forecasts were also revised upwards (2021: from 3.4% to 4.2%; 2022: from 2.1% to 2.2%). In response, 10-year US Treasury yields climbed from 1.30% on 22nd September to close the month at 1.49% (m-o-m +18bps higher). GCC sukuk weakened in tandem, but by a smaller quantum as prices were buffered by rising oil prices. During the month, Brent crude oil prices jumped from USD 72.96/bbl at end-August to touch USD 80.75/bbl on 28th September, before closing the month at USD 78.51/bbl (+7.6% m-o-m), as the global natural gas shortage drove demand for crude oil. Crude oil prices were also bolstered by the prolonged oil production outage in the Gulf of Mexico due to Hurricane Ida.

Top 5 holdings

#	Name	Sector	Country	Weight
1.	MAFUAE 3.9325 02/28/30	Real Estate	UAE	6.97%
2.	OMANGS 4.875 06/15/30	Sovereign & Quasi-sovereign	Oman	6.07%
3.	Perusahaan Penerbit SBSN 4.35% 10/09/2024	Sovereign & Quasi-sovereign	Indonesia	5.95%
4.	KFH TIER 1 SUKUK 3.6 06/30/26	Financial	Kuwait	5.73%
5.	DUBAEE 3 3/4 02/15/26 Corp	Transportation and Logistics	UAE	5.62%

Regional allocation

1	UAE	43.73%
2	Kuwait	11.96%
3	Oman	9.60%
4	Saudi	9.28%
5	Indonesia	8.30%

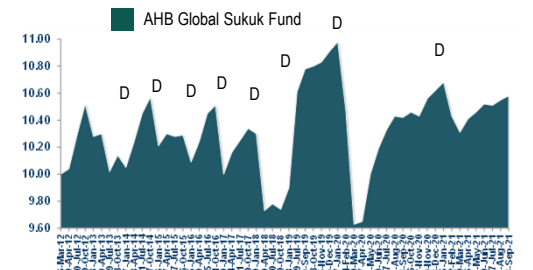
Sector allocation

1	Sovereign & Quasi-sovereign	34.20%
2	Financial	24.43%
3	Real Estate	15.97%
4	Transportation and Logistics	14.68%
5	Utilities	3.73%

Fund performance

Performance (net)	Fund	Date	%
Return (Month)	0.28%	Jan'18	3.93%
Return (YTD)	1.92%	Jan'20	6.00%
Return (SI) Cumulative	38.99%	Jan'21	2.55%

Source: Bloomberg



Monthly performance (net)

2020	September	-0.10%
2020	October	0.38%
2020	November	0.96%
2020	December	0.57%
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%

Fund characteristics

Average Coupon	4.10%
Yield to Maturity	3.04%
Duration (years)	5.60

This material is provided on an information-only basis for investors. The provision of this material and/or reference to specific securities, funds, sectors, or markets within this material does not constitute investment advice, or a recommendation or an offer to buy or to sell any fund or security, or an offer of services by Al Hilal Bank. Investors should consider the investment objectives, risks and expenses of any investment carefully before investing. Performance figures are shown to the last valuation day of the month under review. The performance data quoted represents past performance. Past performance is not an indication of future performance, provides no guarantee for the future, and is not constant over time. Performance returns may increase or decrease as a result of currency fluctuations. For any further information or queries, you may refer to the prospectus of the fund and the term sheet already provided to you or alternatively, you may contact Al Hilal Bank. This material may not be distributed, published, or reproduced, in whole or in part without the express permission of Al Hilal Bank.