

Al Hilal Global Sukuk Fund



Factsheet – August 2020

NAV per share USD 10.43

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 81.13

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 portfolio switched into some longer duration sukuk during the month and has been benefiting from the ongoing spread compression theme. We remain cautious in adding duration risk amidst weak global economic outlook by selectively focusing on higher rated sukuk. In addition, the portfolio increased its holdings

Market

US Treasury (UST) retreated in August, with yields rising by 6 to 28bps across the board as demand for safe haven assets waned amidst improving US economic data, and as investors digested additional long-end UST supply during the month. During the month, 10-year UST yields climbed by 26bps from 0.52% at end-July to touch 0.78% on 28th August, after Federal Reserve Chairman Jerome Powell announced a major policy shift in its inflation target to an "average" of 2.0%. The change in strategy signals that the central bank would allow periods of inflation above its current 2.0% target to support the labor market and broader economy. In response, yields of longer-tenured UST, which are more sensitive to future inflation expectations, jumped to the highest level in weeks, causing the yield curve to steepen. In 2Q20, Eurozone economies shrunk -12.1%, with Germany, the Eurozone's largest economy, contracting by a record -9.7% q-o-q (-11.3% y-o-y), albeit slightly better than its first estimate of -10.1% q-o-q. Meanwhile France, Italy and Spain suffered from even larger 2Q20 GDP contractions, by -13.8%, -12.4% and -18.5% q-o-q, respectively.

in sovereign and utilities, in line with our diversified defensive strategy. During the month, the portfolio switched into longer duration INDOIS 30, INDOIS 50, DP World 30, SECO 43, SECO 44, Almarai 24, Sharjah 26, RAKS 25, DIB 25 and DIB 26; while taking profit on shorter tenured sukuk such as SIB 21 and SOQ 23.

Following a quarterly GDP decline of -2.2% in 1Q20, the UK economy contracted by a record -20.4% in 2Q20, entering a technical recession. However, the UK economy continued to recover in July with monthly GDP rebounding from a record decline of -20.0% in April to +2.4% in May and +8.7% in July. The Bank of England (BoE) has forecast an +18% bounce in GDP for 3Q20, despite cautioning that it may take until end-2021 for the economy to regain to pre-pandemic levels. On 6th August, the BoE held interest rates steady and maintained its existing level of asset purchases, as the committee saw no immediate case to cut interest rates below zero at this juncture. Brent crude oil prices rose 5.7% m-o-m from USD 43.32/bbl at end-July to USD 45.81/bbl at end-August, the highest level since March, supported by positive US economic data, drop in US crude inventories, weaker US Dollar and high OPEC+ members' compliance with production cuts. In the primary market, Axiata issued \$500 million 10-year sukuk yielding 2.16% which was 7.6 times oversubscribed, while Masraf Al Rayan issued a 5-year \$750 million sukuk at 2.21% yield.

Top 5 holdings

#	Name	Sector	Country	Weight
1.	SAUDI ELECTRICITY GLOBAL 5.06% 04/08/2043	Utilities	Saudi	4.21%
2.	SOQ Sukuk A QSC 3.241% 18/01/2023	Sovereign	Qatar	3.52%
3.	DPWDU 3 3/4 01/30/30 Corp	Transport and Logistics	UAE	3.49%
4.	INDOIS 2.8 06/23/30 Corp	Sovereign	Indonesia	3.48%
5.	MALAYS 4.08 04/27/46	Sovereign	Malaysia	3.35%

Regional allocation

1	UAE	44.17%
2	Malaysia	15.29%
3	Indonesia	15.21%
4	Saudi	13.33%
5	Qatar	4.96%

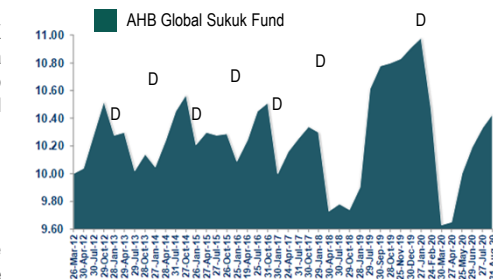
Sector allocation

1	Sovereign	40.80%
2	Financial	19.19%
3	Real Estate	14.53%
4	Utilities	12.94%
5	Transportation and Logistics	4.91%

Fund performance

Performance (net)	Fund	Date	%
Return (Month)	0.97%	Jan'17	3.82%
Return (YTD)	0.63%	Jan'18	3.93%
Return (SI) Cumulative	33.93%	Jan'20	6.00%

Source: Bloomberg



Monthly performance (net)

2019	August	1.51%
2019	September	0.09%
2019	October	0.19%
2019	November	0.28%
2019	December	0.74%
2020	January	0.64%
2020	February	0.37%
2020	March	-8.02%
2020	April	0.21%
2020	May	3.63%
2020	June	1.90%
2020	July	1.37%
2020	August	0.97%

Fund characteristics

Average Coupon	3.83%
Yield to Maturity	2.42%
Duration (years)	6.03

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