

# Al Hilal Global Sukuk Fund



Factsheet – August 2022

NAV per share USD 9.56

## 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 54.80

## 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](mailto:assetmanagement@alhilalbank.ae)



## Investment commentary

### Portfolio

After a strong rally in mid-June and July, US Treasury prices weakened in August, with yields pressured higher across the board, as US Fed officials maintained their hawkish stance despite a decline in US inflation. Sentiment continued to be soft ahead of the highly anticipated Jackson Hole economic symposium at end-August, where global central banks (including the US Fed) are widely expected to remain resolute in their fight against inflation, despite slowing economic growth. M-o-m, the US Treasury yield curve shifted higher and bear flattened, with shorter 1-7 year yields

### Market

In early August, 10-year US Treasury yields initially fell from 2.65% at end-July to touch 2.51%, as weak US economic data moderated rate hike expectations. In July, US ISM manufacturing dipped from 53.0 in June to 52.8, the slowest since June 2020; while US ISM prices paid fell to the lowest level since August 2020 as supply chain disruptions abated. However, yields edged higher after the US economy added 528,000 new jobs in July, the largest in five months and more than double consensus expectations of 250,000 (June revised higher from 372,000 to 398,000). Furthermore, US ISM services gained from 55.3 in June to 56.7 in July (consensus 53.5), as consumers shift their spending from goods to services. Meanwhile, US headline CPI fell sharply from 9.1% in June to 8.5% in July (consensus 8.7%), driven by a decline in fuel prices. Despite this, US Treasury yields continued to drift higher towards the 3.00% mark amid a chorus of hawkish remarks from US Fed officials, who emphasized that the central bank still has a long way to go before it can declare victory on inflation. Sentiment was also dented by rising UK and European bond yields, as inflation continued to hit multi-year

rising by 57-71bps, while longer 10-30 year yields settled 28-54bps higher. Meanwhile, GCC sukuk prices recovered in the first half of August as it caught up with the previous US Treasury rally, but remained stable in the second half of the month despite the correction in US Treasuries, supported by strong demand for GCC credits. In early August, we continued to add GCC laggards such as Emaar, Oman sovereign, Mazoon and Majid Al Futtaim. Given the correction in US Treasuries, we look to re-enter high-beta sukuk for tactical positioning and additional alpha, while maintaining our overweight in the GCC region given the improved economic outlook.

high. Towards month-end, 10-year US Treasury yields rose further to close the month at 3.19% (54bps higher m-o-m), after US Fed Chairman Jerome Powell squashed market expectations for a dovish Fed pivot at the Jackson Hole economic symposium. Powell said the US Fed may need to maintain a restrictive policy stance for some time to avoid inflation from becoming entrenched; and added that historical record cautions strongly against prematurely loosening policy, even if growth slows. The US' 2022 GDP was revised higher from -0.9% to -0.6%, lifted by stronger personal consumption than previously estimated (revised up from 1.0% to 1.5%). Meanwhile, Brent crude oil continued to fluctuate in August, with prices trading within a wide range of USD 91-105/bbl (m-o-m 12.3% lower from USD 110.01/bbl at end-July to USD 96.49/bbl at end-August). Overall, sentiment continued to be dampened by prospects of slower global growth as global central banks tighten monetary policy. On 22<sup>nd</sup> August, Saudi Energy Minister said OPEC+ may consider tightening production at its next meeting in September, as prices do not reflect the underlying fundamentals of supply and demand.

## Top 5 holdings

#	Name	Sector	Country	Weight
1.	KIBKK 2 3/8 11/30/25 Corp - GSF	Financial	Kuwait	5.90%
2.	DPWDU 4.848 09/26/28 - GSF	Transportation and Logistics	UAE	5.58%
3.	MAFUAE 4.638 05/14/29 - GSF	Real Estate	UAE	5.57%
4.	MAFUAE 3.9325 02/28/30 - GSF	Real Estate	UAE	5.39%
5.	MAZOOM 5.2 11/08/27 CORP-GSF.	Utilities	Oman	5.37%

## Regional allocation

1 UAE	53.91%
2 Saudi	11.43%
3 Oman	10.61%
4 Kuwait	10.56%
5 Bahrain	6.33%



## Sector allocation

1 Sovereign & Quasi-sovereign	30.55%
2 Real Estate	23.74%
3 Transportation and Logistics	18.03%
4 Financial	15.12%
5 Utilities	7.12%



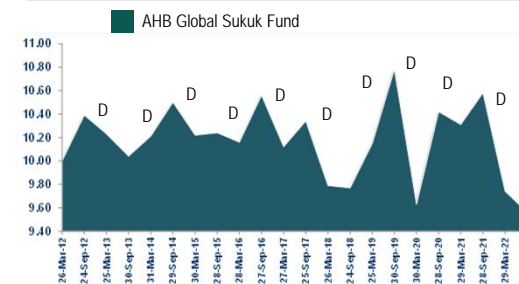
## Fund performance

Performance (net)	Fund
Return (Month)	1.49%
Return (YTD)	-5.26%
Return (SI) Cumulative	31.18%

## Dividend

Date	%
Jan'20	6.00%
Jan'21	2.55%
Jan'22	4.24%

Source: Bloomberg



## Monthly performance (net)

2021	August	0.38%
2021	September	0.28%
2021	October	-0.28%
2021	November	-0.19%
2021	December	0.10%
2022	January	-0.95%
2022	February	-0.76%
2022	March	-1.81%
2022	April	-0.92%
2022	May	-1.24%
2022	June	-1.05%
2022	July	-0.11%
2022	August	1.49%

## Fund characteristics

Average Coupon	4.21%
Yield to Maturity	4.97%
Duration (years)	4.69

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