

# Al Hilal Global Sukuk Fund

Factsheet – February 2022

NAV per share USD 9.92

## 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 78.05

## 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

After starting the new year on a weak note, US Treasury yields continued to be pressured higher in the first half of February as investors continued to price in expectations of a faster pace of US rate hikes, despite mixed US economic data. Sentiment was further dampened after several US Fed members suggested to raise rates by 50bps in the upcoming March meeting, after US inflation for January soared to the highest level since 1982. 10-year US Treasury yields jumped by 28bps from 1.78% to touch 2.06%, before recovering to close the month at 1.83% (5bps higher m-o-m), driven

### Market

In early February, 10-year US Treasury yields continued to rise towards the 2.00% mark, following more hawkish-than-expected outcomes of the Bank of England (BoE) and European Central Bank (ECB) meetings. As widely expected, the BoE raised rates again by 25bps to 0.50% on 3<sup>rd</sup> Feb; however four out of nine members were in favor of a larger 50bp increase. Meanwhile, the ECB finally acknowledged mounting inflation risks, opening the door to a potential rate hike this year. With inflation surging in developed markets, investors continued to price in more rate hikes, despite mixed US economic data. In January, US ISM manufacturing eased for a third straight month from 58.8 in December to 57.6, while ISM services slowed from 62.3 to 59.9, the lowest in almost a year. On a positive note, the US economy added 467,000 new jobs in January (consensus 125,000; December revised higher from 199,000 to 510,000), reflecting positive momentum in the labor market. The labor participation rate also improved from 61.9% to 62.2%, while wages surged from 4.9% y-o-y to 5.7%. 10-year US Treasury yields continued to march past the key 2.00% level to touch 2.06% on 16<sup>th</sup>

by flight to safety as the Russia-Ukraine conflict escalated. M-o-m, the US Treasury yield curve bear flattened as shorter-tenured yields were repriced higher. Meanwhile, GCC sukuk prices weakened even though Brent oil prices surged above the USD 100/bbl mark, as they lagged US Treasury movements. We have started to deploy some of our cash into selective GCC sukuk as valuations have turned attractive. Nevertheless, we look to hold a neutral duration profile amid persistent market fluctuations, while maintaining our overall overweight in GCC, as the region remains the prime beneficiary of higher oil prices, coupled with its bright economic outlook.

Feb, after US inflation soared from 7.0% in December to 7.5% in January, the highest in 40 years. Several US Fed members advocated a faster pace of rate hikes, including potentially raising rates by 50bps at the upcoming meeting in March. Nevertheless, 10-year US Treasury yields subsequently plunged to close the month at 1.83% (m-o-m 5bps higher) on flight to safety after Russia invaded Ukraine. In response, the US and its allies imposed multiple sanctions against Russia, including removing selected Russian banks from the international SWIFT network. Commodity prices rallied strongly following the news. Brent oil prices soared by 17.5% from USD 90.03/bbl at end-Jan to touch USD 105.79/bbl on 24<sup>th</sup> Feb (highest since 2014), amid concerns that possible sanctions on Russian oil exports may exacerbate an already tight supply market. Russia is the world's second-largest oil producer behind the US, with half of its exported oil shipped to Europe. Towards month-end, Brent pared some gains to settle at USD 101.10/bbl (m-o-m +12.3%). Meanwhile as widely expected, OPEC+ announced that it will increase oil production by 400,000 bpd in March, as scheduled.

## Top 5 holdings

#	Name	Sector	Country	Weight
1.	MAFUAE 3.9325 02/28/30	Real Estate	UAE	8.65%
2.	Perusahaan Penerbit SBSN 4.35% 10/09/2024	Sovereign & Quasi-sovereign	Indonesia	7.55%
3.	DUBAEE 3 3/4 02/15/26	Transportation and Logistics	UAE	7.06%
4.	KIBKK 2 3/8 11/30/25	Financial	Kuwait	5.31%
5.	DPWDU 4.848 09/26/28	Transportation and Logistics	UAE	4.52%

## Regional allocation

1	UAE	46.56%
2	Saudi	15.42%
3	Kuwait	8.40%
4	Indonesia	7.00%
5	Oman	5.28%

## Sector allocation

1	Sovereign & Quasi-sovereign	34.30%
2	Real Estate	18.54%
3	Transportation and Logistics	17.73%
4	Financial	16.15%
5	Utilities	3.33%

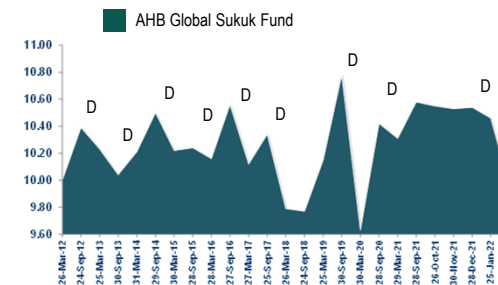
## Fund performance

Performance (net)	Fund
Return (Month)	-0.76%
Return (YTD)	-1.70%
Return (SI) Cumulative	36.12%

## Dividend

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

Source: Bloomberg



## Monthly performance (net)

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%
2022	February	-0.76%

## Fund characteristics

Average Coupon	3.90%
Yield to Maturity	3.35%
Duration (years)	4.14

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