

# Al Hilal Global Sukuk Fund

Factsheet – July 2022

NAV per share USD 9.42

## 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 53.99

## 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 rally towards end-June gained momentum in July, as concerns over a potential US recession grew amid softer economic data. Except for the shortest 1-year US Treasuries, yields declined by 7-39bps across the curve, with the 5-10yr segment benefitting the most. M-o-m, 10-year yields settled 36bps lower at 2.65%, and 23bps lower than the 2-year US Treasuries at 2.88%, causing the curve to invert. As widely expected, the US Fed raised rates by 75bps for the second consecutive meeting to 2.25-2.50%, and indicated that another large hike remains possible at its next

### Market

In early July, 10-year US Treasury yields continued to trend lower to around 2.80%, buoyed by weaker-than-expected US ISM manufacturing and new orders for June. However, yields subsequently retraced to around 3.10%, after minutes of the US Fed meeting in June highlighted that a deeper, more restrictive monetary policy stance may be needed to fight inflation. In June, the US economy added 372,000 new jobs, outpacing consensus expectations for a 265,000 gain (May revised slightly lower from 390,000 to 384,000), underscoring the strength of the US labor market. 10-year US Treasury yields declined again after US headline CPI soared from 8.6% in May to 9.1% in June (consensus 8.8%), marking a fresh 40-year high, amid expectations that the Fed may need to hike rates by a larger quantum, thus dampening growth over the longer-term. Demand for US Treasuries remained strong ahead of the US Fed meeting on 27<sup>th</sup> July, driving 10-year yields lower to around 2.80%. In line with its previous guidance in June, the US Fed raised rates by 75bps for the second consecutive meeting, and signaled that another large hike remains on the table in September.

meeting in September, subject to economic data. Meanwhile, GCC sukuk prices rose in July, catching up with US Treasury movements, albeit still lagging the latter's rally since mid-June. We took the opportunity to add GCC laggards such as Noghaholding, and took profit on Indonesia sovereign sukuk as it has largely caught up with US Treasury movements. We continued to add GCC laggards in early August, such as Emaar and Majid Al Futtaim. We will continue to monitor the market for attractive levels 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.

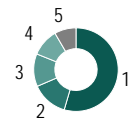
10-year US Treasury yields declined further to close the month at 2.65% after the Fed meeting, as investors reacted positively to Chairman Powell's statement that interest rates have reached a "neutral level", even though he also reiterated that rates need to be pushed higher to bring inflation down. Powell also dismissed concerns that the US economy has entered a recession, citing solid wage growth and a strong labor market. In 2022, US GDP shrunk for a second consecutive quarter, from -1.6% in 1Q22 to -0.9% (consensus +0.4%), weighed by a drop in business inventories, which wiped 2% off the headline GDP figure. Personal consumption slowed from 1.8% to 1.0%, but remained positive. Meanwhile, Brent oil prices weakened from USD 114.81/bbl to touch USD 94.50/bbl in mid-July amid concerns over a global slowdown, after data showed that China only grew 0.4% in 2Q22 (consensus 1.2%, 1Q22 4.8%). Sentiment was also dampened by prospects of more oil supply from Saudi Arabia, in anticipation of US President Biden's visit. However, Brent prices rebounded to close the month at USD 110.01/bbl (4.2% lower m-o-m), as the broad risk market sentiment recovered.

## Top 5 holdings

#	Name	Sector	Country	Weight
1.	KIBKK 2 3/8 11/30/25 Corp - GSF	Financial	Kuwait	5.98%
2.	DPWDU 4.848 09/26/28 - GSF	Transportation and Logistics	UAE	5.55%
3.	TABRED 5 1/2 10/31/25 - GSF	Sovereign & Quasi-sovereign	UAE	5.29%
4.	DPWDU 6 PERP - GSF	Transportation and Logistics	UAE	5.05%
5.	MAF Sukuk Ltd 4.5% 03/11/2025	Real Estate	UAE	4.64%

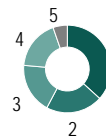
## Regional allocation

1 UAE	46.05%
2 Saudi	11.84%
3 Kuwait	10.64%
4 Oman	9.03%
5 Indonesia	6.95%



## Sector allocation

1 Sovereign & Quasi-sovereign	31.34%
2 Transportation and Logistics	17.97%
3 Real Estate	15.80%
4 Financial	15.67%
5 Utilities	4.51%



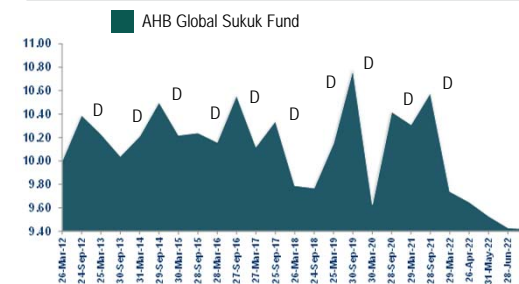
## Fund performance

Performance (net)	Fund
Return (Month)	-0.11%
Return (YTD)	-6.65%
Return (SI) Cumulative	29.26%

## Dividend

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

Source: Bloomberg



## Monthly performance (net)

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%
2022	March	-1.81%
2022	April	-0.92%
2022	May	-1.24%
2022	June	-1.05%
2022	July	-0.11%

## Fund characteristics

Average Coupon	3.88%
Yield to Maturity	4.57%
Duration (years)	4.13

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