

Al Hilal Global Sukuk Fund



Factsheet – June 2023

NAV per share USD 9.31

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 40.16

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

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Investment commentary

Portfolio

In line with expectations, the US Fed held interest rates unchanged at 5.00-5.25% on 14th June, but signaled that additional rate hikes may be on the table to combat persistent inflation pressures, pushing US Treasury (UST) yields higher. Furthermore, US economic data continued to show resilience despite higher borrowing costs and tighter credit conditions, drawing hawkish remarks from US Fed members. M-o-m, shorter 2 and 5-year UST yields rose the most (up 40-50bps) as investors priced in expectations of more rate hikes, followed by 7-10 year (up 19-29bps)

Market

In early June, benchmark 10-year UST yields briefly fell from 3.64% at end-May to touch 3.56%, after US ISM Manufacturing PMI shrank further from 47.1 in April to 46.9 in May, marking its seventh consecutive decline. Similarly, ISM Services Index fell from 51.9 to 50.3 (the lowest level in five months, vs. consensus 52.4). However, 10-year UST yields rose after US nonfarm payrolls unexpectedly grew from 294,000 (revised higher from 253,000) in April to 339,000 in May, far above consensus expectations of 195,000. 10-year UST yields continued to be pressured higher to around 3.82% following surprise rate hikes by Australia and Canada, even though several US Fed members advocated for a pause at its upcoming meeting on 14th June. In line with market expectations, the US Fed held interest rates unchanged at 5.00-5.25%, in consideration of the significant cumulative 500bps rate hikes since March 2022, and the lagging impact of monetary policy to economic activity and inflation. However, most US Fed officials penciled in additional 50bp hikes by year-end, as the central bank prioritizes bringing inflation down towards its 2.0% goal. Meanwhile, the US Fed upgraded its 2023

while the longest 30-year yields were unchanged. Despite this, the Al Hilal portfolio recorded positive returns of 0.65% in June, boosted by its holdings in longer tenures e.g. SECO, which performed well. Overall, GCC sukuk remained relatively resilient, supported by steady oil prices after Saudi Arabia unexpectedly announced an additional 1 million bpd production cut in July. GCC issuers continued to receive credit rating upgrades amid a significantly improved economic landscape, e.g. Emaar Properties and Emaar Malls. Meanwhile, after a very active primary market from January to May, new Global Sukuk issuances took a breather in June.

GDP forecast from 0.4% in March to 1.0% (2024 and 2025 revised down by 0.1% to 1.1% and 1.8% respectively), while PCE inflation is expected to cool from 3.3% to 3.2% in 2023 (2024 and 2025: unchanged at 2.5% and 2.1%). However, core PCE inflation forecast for 2023 was revised higher from 3.6% to 3.9%, indicating stubborn price pressures, before moderating to 2.6% in 2024 and 2.2% in 2025. In May, US headline CPI fell from 4.9% in April to 4.0% y-o-y, while core CPI eased from 5.5% to 5.3%. Following the US Fed meeting, 10-year UST yields traded range-bound, but rose towards month-end to settle at 3.84% (m-o-m 20bps higher), after the final reading of 1Q23 GDP was revised up sharply from 1.3% to 2.0%, amid stronger exports and consumer spending than previously estimated. Meanwhile, Brent oil initially rallied from USD 72.66/bbl at end-May to around USD 78/bbl following Saudi's surprise announcement to cut production. However, Brent prices subsequently fell to close the month at USD 74.90/bbl (m-o-m 3.1% higher), as demand fears outweighed prospects of tighter supply amid hawkish global central banks and weak data from China.

Top 5 holdings

#	Name	Sector	Country	Weight
1.	Saudi Electricity 5.500 08/04/44 - GSF	Sovereign & Quasi-sovereign	Saudi	8.05%
2.	SAUDI ELECTRICITY GLOBAL 5.06% 04/08/2043 - GSF	Sovereign & Quasi-sovereign	Saudi	6.63%
3.	INDOIS 3.8 06/23/50 - GSF	Sovereign & Quasi-sovereign	Indonesia	6.45%
4.	OMANGS 4.875 06/15/30 - GSF	Sovereign & Quasi-sovereign	Oman	6.25%
5.	MAFUAE 3.9325 02/28/30 - GSF	Real Estate	UAE	5.98%

Regional allocation

1 Saudi	29.88%
2 UAE	19.10%
3 Indonesia	15.50%
4 Malaysia	10.80%
5 Bahrain	7.92%



Sector allocation

1 Sovereign & Quasi-sovereign	68.50%
2 Transportation & Logistics	12.70%
3 Real Estate	8.96%
4 Financial	1.99%
5 Food and Beverage	1.85%



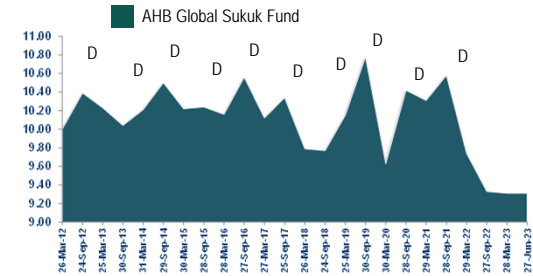
Fund performance

Performance (net)	Fund
Return (Month)	0.65%
Return (YTD)	1.53%
Return (SI) Cumulative	27.75%

Dividend

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

Source: Bloomberg



Monthly performance (net)

2022	June	-1.05%
2022	July	-0.11%
2022	August	1.49%
2022	September	-2.41%
2022	October	-2.79%
2022	November	0.66%
2022	December	0.44%
2023	January	1.31%
2023	February	-0.97%
2023	March	1.20%
2023	April	0.43%
2023	May	-1.07%
2023	June	0.65%

Fund characteristics

Average Coupon	4.10%
Yield to Maturity	4.89%
Duration (years)	8.10

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