

Al Hilal Global Sukuk Fund

Factsheet – June 2021

NAV per share USD 10.52

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 106.05

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

In June, the Global Sukuk market continued to perform well, supported by continued gains in US Treasury prices, especially in the longer tenures. During the month, shorter UST yields rose while the longer ones tumbled, after the US Fed surprised markets by signaling two potential interest rate hikes by end-2023. Previously, the committee indicated that it may not raise rates until at least 2024. Global Sukuk prices also remain supported by rising Brent oil prices, which continues to benefit from the revival of fuel demand for travel and leisure, especially in the US, China and parts of Europe.

Market

In early June, 10-year UST yields tumbled from 1.59% at end-May to 1.43% on 10th June, triggered by weaker than expected US nonfarm payrolls. In May, the US economy added 559,000 jobs, lower than consensus expectations of 675,000, albeit higher than the 278,000 recorded in April. UST yields continued to be pushed lower, even after data showed that headline US inflation soared from 4.2% to 5.0% in May, a 13-year high. Meanwhile, other US economic data were mixed, e.g. retail sales fell from 0.9% in April to -1.3% in May; while ISM services soared from 62.7 to 64.0, the highest on record. On 16th June, the US Fed unexpectedly signaled that it may hike interest rates twice by end-2023, with 13 of 18 officials favoring at least one rate hike by end-2023. In addition, 7 members expected a move as early as 2022, up from 4 members in March. The Fed also upgraded its inflation forecast for 2021 by 1.0% from 2.4% to 3.4%, and 0.1% for 2022 and 2023 to 2.1% and 2.2% respectively. 10-year UST yields initially jumped following the announcement, but subsequently tumbled to touch 1.35% on 21st June as investors repriced expectations for growth and inflation moving forward.

Meanwhile, the primary Global Sukuk was very active in June, with most issuances garnering very strong demand of around 3.0-5.0x bid to cover ratio. Notable issuances include Saudi Aramco's USD 6bil sukuk (9.2x BTC), USD 1.75bil Oman sovereign, USD 500mil Emaar Properties and USD 750mil KFH Tier 1 sukuk. The portfolio participated in some of the primary issuances for its enhanced yield. The portfolio continues to overweight corporate sukuk over sovereigns for the additional yield pickup, while keeping the duration relatively neutral amidst current market volatility.

Nonetheless, 10-year UST yields subsequently normalized to around 1.50%, before closing the month at 1.47% (m-o-m 12bps lower). In comparison, the shorter 1-5 year UST yields rose by 2-16bps m-o-m, as investors priced in potential future rate hikes. Meanwhile, Brent crude oil prices continued to trend higher in June, as the reopening theme gained momentum especially in the US and parts of Europe amid the rapid pace of vaccination. On 1st June, OPEC+ announced that it will keep to its schedule of restoring oil production by 450,000 bpd in July, following the increase of 350,000 bpd each in May and June. This signals confidence over the rebound in global oil consumption, with Saudi Arabia reportedly raising July pricing for all oil grades to Asian customers. Brent prices were also buoyed by news that latest talks between world powers and Iran to revive a nuclear deal ended without an agreement, therefore alleviating concerns of additional supply from Iran. During the month, Brent crude oil prices marched higher from USD 69.46/bbl at end-May to touch USD 76.60/bbl on 28th June, before closing the month slightly lower at USD 75.13/bbl (m-o-m +8.2%).

Top 5 holdings

#	Name	Sector	Country	Weight
1.	Perusahaan Penerbit SBSN 4.35% 10/09/2024	Sovereign & Quasi-sovereign	Indonesia	6.61%
2.	MAFUAE 3.9325 02/28/30	Real Estate	UAE	6.35%
3.	KFH TIER 1 SUKUK 3.6 06/30/26	Financial	Kuwait	5.79%
4.	DUBAEE 3 3/4 02/15/26	Transportation and Logistics	UAE	5.19%
5.	DPWDU 6 PERP	Transportation and Logistics	UAE	4.81%

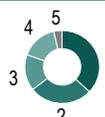
Regional allocation

1	UAE	48.79%
2	Kuwait	12.37%
3	Saudi	10.15%
4	Oman	8.79%
5	Indonesia	6.46%



Sector allocation

1	Sovereign & Quasi-sovereign	35.95%
2	Financial	26.65%
3	Transportation and Logistics	15.59%
4	Real Estate	15.55%
5	Utilities	3.50%



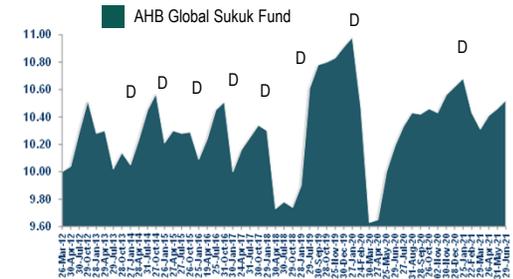
Fund performance

Performance (net)	Fund
Return (Month)	0.57%
Return (YTD)	1.34%
Return (SI) Cumulative	38.21%

Dividend

Date	%
Jan'18	3.93%
Jan'20	6.00%
Jan'21	2.55%

Source: Bloomberg



Monthly performance (net)

2020	June	1.90%
2020	July	1.37%
2020	August	0.97%
2020	September	-0.10%
2020	October	0.38%
2020	November	0.96%
2020	December	0.57%
2021	January	0.57%
2021	February	-0.09%
2021	March	-1.15%
2021	April	0.97%
2021	May	0.48%
2021	June	0.57%

Fund characteristics

Average Coupon	4.05%
Yield to Maturity	2.88%
Duration (years)	4.69

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