

## Investment objective

Global Sukuk Fund is invested in global sukuk, Murabaha and Ijarah instruments. Our strategy is to maximizing return on investment by minimizing risk and managing interest rates.

## Fund Manager Commentary

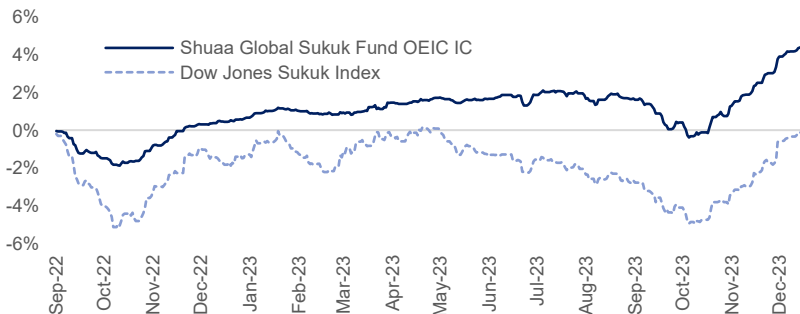
The Global Sukuk Fund was up 2.0% MoM in December (versus 2.2% MoM Dow Jones Sukuk Index) translating to a 4.0% YTD returns (vs 1.7% YTD Dow Jones Sukuk Index).

The December rally in bond prices, fuelled by expectations of an imminent interest rate cut by the Fed, has rescued fixed income markets from an almost unprecedented third consecutive year of declines. During the December meeting, the Fed's updated summary of economic projections revealing that inflation, particularly their favoured core PCE measure, was declining more rapidly than anticipated in September. Furthermore, the 'dot plot' of rate expectations indicated a faster pace of rate cuts for the following year, leading to a robust rally in bond yields and credit spreads. While the Fed's median projection, suggested three interest rate cuts of 25 basis points each in 2024, the market is currently pricing in five to six cuts. This policy pivot narrative built the possibility of more aggressive rate cuts in 2024, consequently pushed the benchmark 10-year government bond yields further – concluding 2023 at or below their starting level, with the 10-year yield settling at 3.87% by the end of 2023. Considering the long-term median spread between the Fed's projected long-run Fed funds target of 2.5% and ten-year Treasury yields, they are reasonably valued near 3.5% to 4%. Though the spread range can be extensive, the current level is closer to the lower end, indicating potential difficulty for yields to fall much further at least in the near term (1Q2024). Nonetheless, we anticipate declining short-term yields in the latter half of 2024, leading to a steepening of the yield curve by the end of 2024.

For 2024, the current economic backdrop suggests a potential sell-off in rates during 1Q24. However, we anticipate the yield curve to eventually steepen in the later part of the year. This rally is expected to be led by the front-end and belly, while the back end of the curve will likely remain more range bound. Therefore, we believe it is prudent to emphasize high-quality, and we are increasingly comfortable taking on intermediate duration risk (in the belly of the curve). We continue to favour investment-grade corporate bonds with average yields of 5%. However, we are cautious about high-yield opportunities, considering that elevated borrowing costs may impact corporate earnings, particularly among issuers with high levels of debt relative to earnings.

We anticipate the likelihood of positive total returns in 2024. However, achieving outperformance relative to Treasuries might be challenging, especially if economic growth weakens and prompts Fed intervention through rapid easing of monetary policy in 2H24.

## Relative Performance



## Fund Metrics

Yield to Maturity	7.8%
Avg. Yearly Coupon (%)	6.6%
Avg. Credit Rating	BB-
Avg. Maturity (Years)	5.6
Avg. Duration (Years)	3.9

## Top 5 Holdings (Excluding cash)

Murabaha Mezz Shine	14.1%
TFGSUK 10.50 08/07/24 C	12.1%
Saudi Electricity Global 5.06% 04/08/2043	6.1%
INDOIS 4.7 06/06/32 Corp	5.8%
KSA 4.511 05/22/33 Govt	5.6%

## Fund Facts

Inception Date	Sep 2022
Domicile	Abu Dhabi Global Markets
Fund Currency	USD
Asset Class	Sukuk
Geography	Global
ISIN	AE0000A2QB2B9
Number of Holdings	49
Subscriptions/Fees	Daily / 0%
Redemptions/Fees	Daily / 0%
Leverage	0%
TER / Management Fee	1.2% / 1.0%
Fund Manager	Aarthi Chandrasekaran
Investment Manager	SHUAA GMC Limited

## Portfolio Statistics

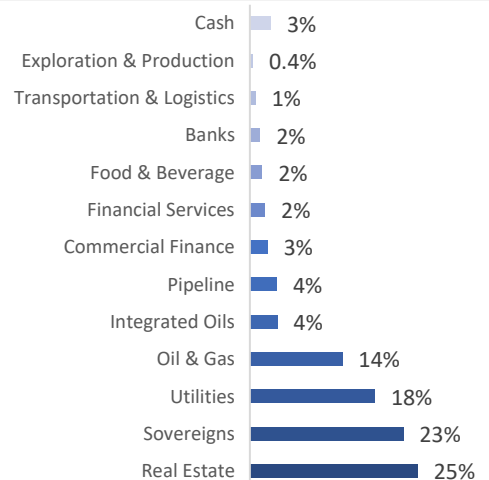
Fund AUM	\$130.3m
NAV per Share	104.4
Dividend per Share	0

## Performance

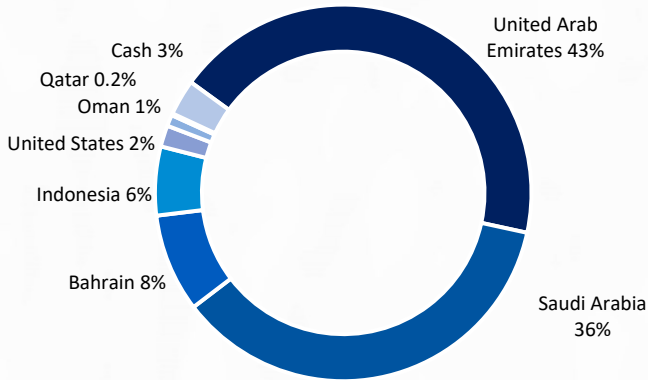
Returns since Inception	4.4%
Annualised return	3.4%
Year to Date (YTD)	4.0%
Month to Date (MTD)	2.0%
Sharpe ratio	-0.4
Tracking error	2.4%
2022 returns*	0.4%

\*Inception date 15 Sep 2022

## Sector Allocation



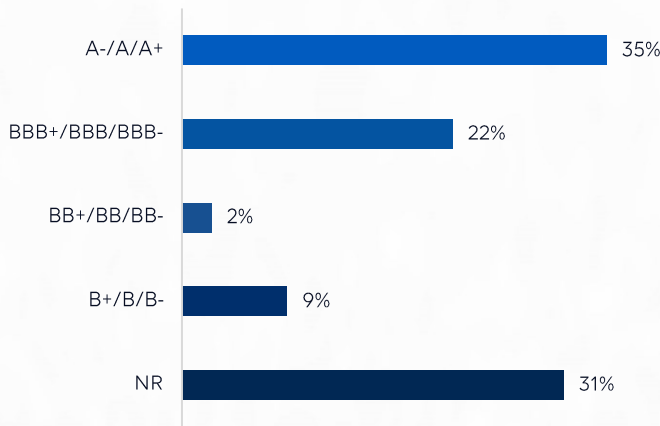
**Country Allocation**



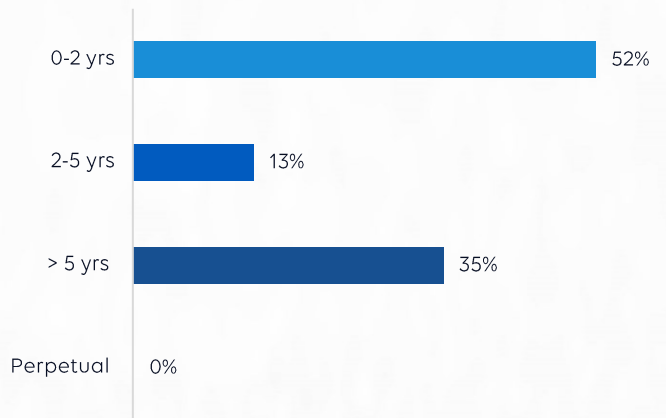
**Sukuk Credit Rating**



**Sukuk Credit Rating Breakdown**



**Duration**



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