Investment objective

SHUAA Global Sukuk Fund, a Sub-Fund of SHUAA Funds OEIC ICC, invests in global sukuk, Murabaha, and Ijarah instruments to maximize returns while minimizing risk. It aims for income and capital appreciation by holding a diversified portfolio of Shari'a-compliant fixed income investments.

Fund Manager Commentary

Global fixed-income markets remained volatile in July as investors weighed softer US economic data against renewed inflation risks from escalating Middle East tensions and higher energy prices. Weaker employment and inflation releases initially supported government bonds, but those gains were reversed as oil prices rose and central banks maintained a cautious policy stance.

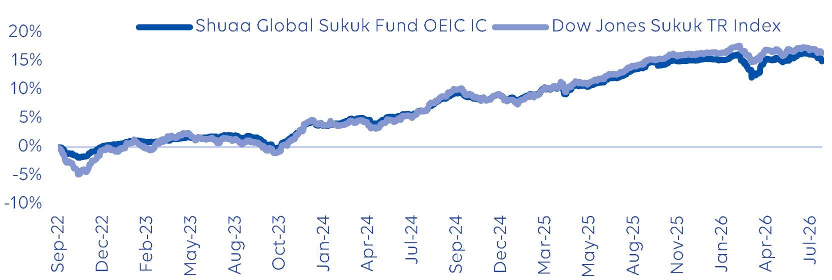
At its 28–29 July meeting, the Federal Reserve kept the federal-funds target range unchanged at 3.50%–3.75% in a 9–3 vote, with three members favoring a 25-basis-point increase. The Fed noted that economic activity remained solid but stressed that inflation was still above its 2% objective, partly due to energy and other supply shocks.

The market reaction was notable: short-term yields eased as investors judged an aggressive hiking cycle unlikely, while long-term yields rose sharply. The two-year yield rose by approximately 14 basis points to 4.28%, the five-year by 26 basis points to 4.45%, the ten-year by 31 basis points to 4.75%, and the 30-year by 36 basis points to 5.27%, its highest level since 2007. The move represented a bear-steepening of the curve, with the two-to-ten-year spread widening from around 30 basis points at the end of June to 47 basis points at the end of July, reflecting higher term premiums and growing concerns over inflation, fiscal policy and government debt.

At current levels, meaningful further downside would likely require a materially more hawkish Federal Reserve. Near-term futures pricing already reflects a meaningful probability of a September rate increase, while the 10-year Treasury yield of around 4.7% incorporates both a higher-for-longer policy-rate path and a sizeable term premium. Gradually adding duration with the US 10-year yield near 4.7% is therefore increasingly attractive, particularly when investors are being paid to wait through strong carry. With real GDP growth of around 2% and inflation near 3%, nominal GDP growth of approximately 5% remains a constructive environment for selective risk-taking. While energy prices, geopolitics, inflation and the US fiscal outlook will continue to drive volatility, elevated yields have materially improved the risk-reward in fixed income. The opportunity is no longer about calling the peak in yields; it is about locking in attractive income before the market does it for you.

The message from July is clear: bond markets are no longer waiting for perfect conditions. With yields already compensating investors for inflation, policy uncertainty and fiscal risk, the greater danger may be staying too defensive for too long. Volatility will persist, but periods of weakness should increasingly be viewed as opportunities to add duration selectively and lock in income. The next phase of the bond market may not be defined by a dramatic rally, but by the quiet compounding of carry before yields eventually move lower.

Net Total Returns Since Inception (Fund vs. Benchmark)



Past performance is not necessarily indicative of future results.

Net Total Return Statistics (Fund vs. Benchmark)

	MTD	3M	6M	YoY	YTD	Inception
Shuaa Global Sukuk Fund OEIC IC	-1.2%	-0.2%	-0.2%	2.1%	-0.3%	15.0%
Dow Jones Sukuk TR Index	-0.8%	-0.3%	-0.1%	2.8%	0.0%	16.5%

Fund Facts

Inception Date	Sep 2022
Domicile	Abu Dhabi Global Markets
Fund Currency	USD
Asset Class	Sukuk
Geography	Global
ISIN	AE000A2QB2B9
Number of Holdings	62
Subscriptions/Fees	Daily / 0%
Redemptions/Fees	Daily / 0%
Leverage	0%
TER / Mgmt Fee	1.1% / 1.0%
Performance Fee	20% since inception until June 2024
Fund Manager	Aarthi Chandrasekaran
Investment Manager	SHUAA GMC Limited

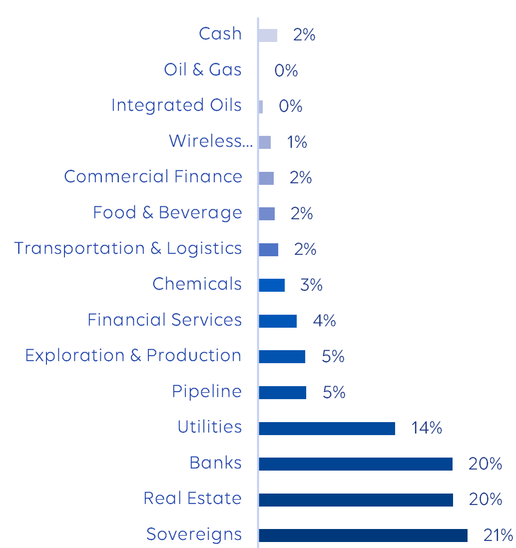
Portfolio Statistics

Fund AUM	$ 86.5mn
NAV per Share	115.0

Performance (Net of fees & expenses)

Annualised return	3.7%
Sharpe ratio	-0.5
Tracking error	1.7%
2025 returns	6.2%

Sector Allocation (% of Portfolio)



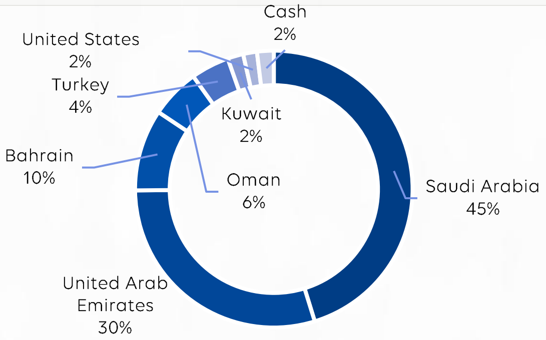
Fund Metrics (Sukuk)

Yield to Maturity	6.3%
Avg. Yearly Coupon (%)	6.1%
Avg. Credit Rating	BBB-
Avg. Maturity (Years)	6.1
Avg. Duration (Years)	4.5

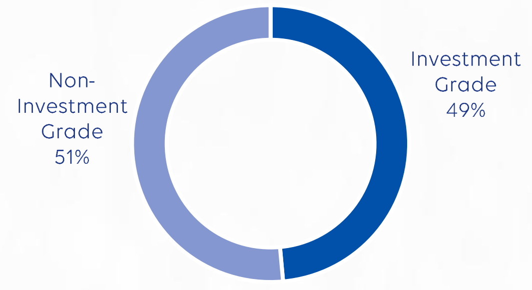
Top 5 Holdings (Excluding cash)

SECO 5.684 04/11/53 Corp	5.6%
GRPIBI 5.78 08/23/32 Corp	5.0%
SECO 5.06 04/08/43 Corp	4.8%
RIBL 6.209 07/14/35 Corp	3.7%
KSA 5.268 10/25/28 Corp	3.7%

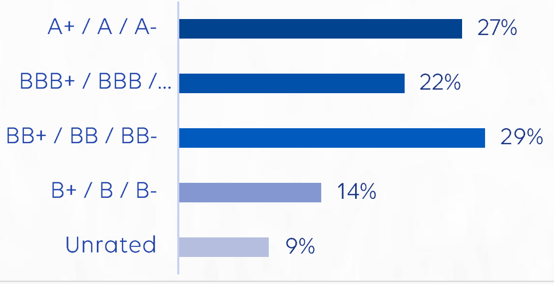
Country Allocation (% of Portfolio)



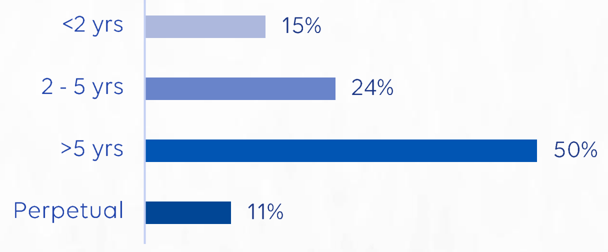
Sukuk Credit Rating (% of Portfolio)



Sukuk Credit Rating Breakdown



Sukuk Duration



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