

Investment objective

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

Fund Manager Commentary

The Global Sukuk Fund was up 0.3% MoM in February (versus -0.6% MoM Dow Jones Sukuk Index) translating to flat YTD returns (vs -1.3% YTD Dow Jones Sukuk Index).

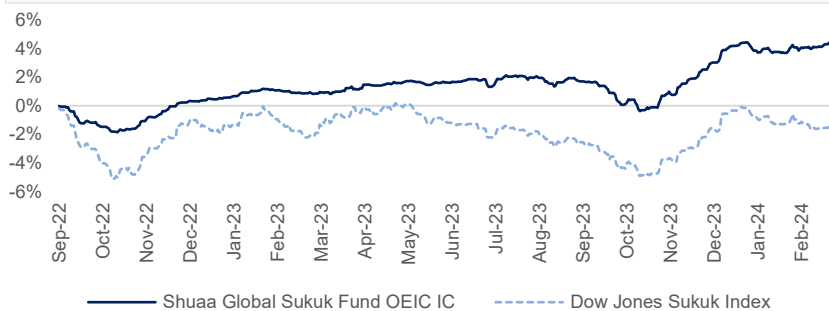
Choppy rate markets continued in February as cautious central banks and sticky inflation dynamic, lowered investor conviction around the timing and scale of the DM central bank easing as they wait for clearer catalysts. As a result, bond market returns remain subdued year-to-date – except for floating rate, high yield and hybrid credit. Meanwhile, the prevalence of a “soft landing” outlook has encouraged huge supply of both sovereign and corporate bonds, which has been met with healthy demand.

Fixed income markets were broadly down, with the Bloomberg Global Aggregate index losing 1.3% over February while Global Sukuk Index was down 0.6%. Regionally, Saudi (-0.5%), Qatar (-0.3%), and the UAE (-0.2%) underperformed. In terms of spreads, U.S. investment-grade corporate spreads held steady, finishing February below the 100-basis points mark, whereas U.S. high-yield bonds experienced a 32 basis points tightening, reaching 310 basis points, signaling strong incoming economic data. Similarly, GCC credit spreads also witnessed a slight tightening in February. Accordingly, less rate sensitive high yield indices outperformed investment grade (IG) bonds. The Bloomberg Global Aggregate Corporate index – measuring the performance of developed market IG bonds – is now down 2.6% year to date. In contrast, US high yield has gained 0.6% over the first two months of 2024.

We note that the prospect of rate cuts in March has been fully factored out, and there exists a negligible disparity between the dot plot and the market's outlook for 2024 in terms of rate cuts. Accordingly, our assessment indicates a short-term ceiling of 4.4%, and any substantial deviations from these levels would likely be influenced by more hawkish Fed communication or stronger than expected inflation data print. However, we expect yields to decline in the latter half of 2024 as we expect growth dynamics to slow prompting the fed to cut more aggressively, leading to a bull steepening of the yield curve by the year's end.

In the realm of investment-grade credit, we uphold an overweight position, placing significant importance on issuer and security selection. Spreads have contracted since the beginning of the year, and certain sectors are approaching the tightest levels in nearly a decade. We're more defensively positioned within high yield as spreads are expensive, and we remain skeptical about the sustainability of “risk-on” rallies.

Relative Performance



Return Statistics

	MTD	3M	6M	YoY	YTD	Inception
SHUAA Global Sukuk Fund OEIC IC	0.3%	2.0%	2.4%	3.5%	0.0%	4.4%
Dow Jones Sukuk Index	-0.6%	0.9%	0.8%	0.3%	-1.3%	-1.5%

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	1.1% / 1.0%
Fund Manager	Aarthi Chandrasekaran
Investment Manager	SHUAA GMC Limited

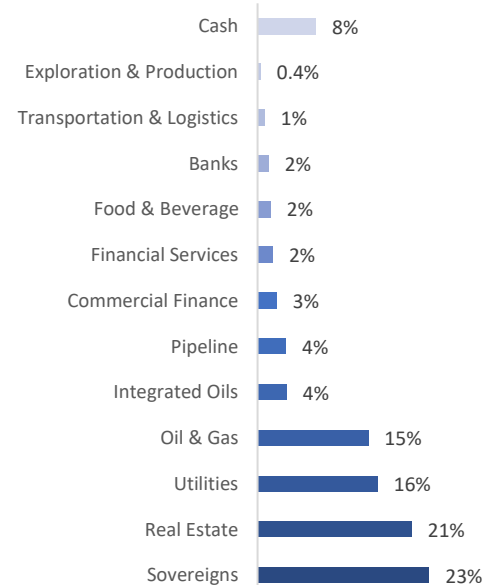
Portfolio Statistics

Fund AUM	\$129.4m
NAV per Share	104.4
Dividend per Share	0

Performance

Annualised return	3.0%
Sharpe ratio	-0.8
Tracking error	2.3%
2023 returns	4.0%

Sector Allocation



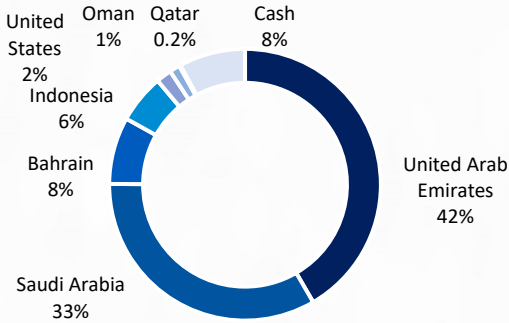
Fund Metrics

Yield to Maturity	7.2%
Avg. Yearly Coupon (%)	6.5%
Avg. Credit Rating	BB
Avg. Maturity (Years)	5.9
Avg. Duration (Years)	4.1

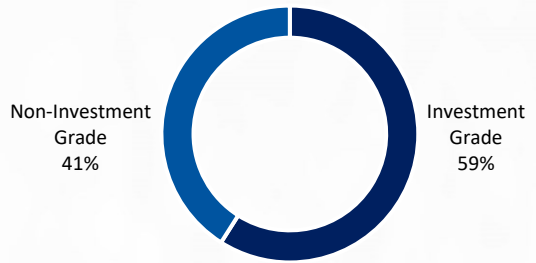
Top 5 Holdings (Excluding cash)

Murabaha Mezz Shine	16.2%
Saudi Electricity Global 5.06% 04/08/2043	6.4%
TFGSUK 10.50 08/07/24 C	6.3%
INDOIS 4.7 06/06/32 Corp	6.0%
KSA 4.511 05/22/33 Govt	5.7%

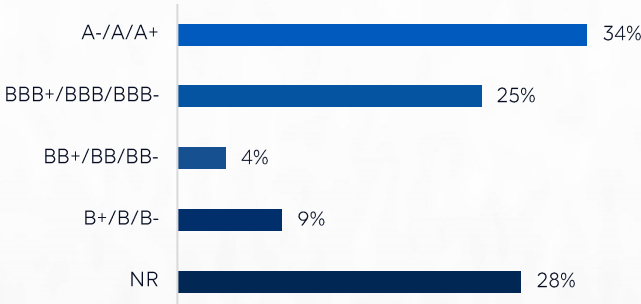
Country Allocation



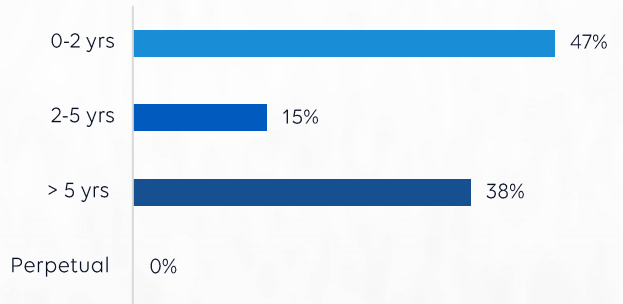
Sukuk Credit Rating



Sukuk Credit Rating Breakdown



Duration



Asset Management Sales

Marowa Mansoor
 Omar Danish
 +971 4 330 3600
 Amsales@shuua.com

Address

SHUAA GMC Limited
 Al Khatem Tower, Floor 32
 ADGM Square, Al Maryah Island
 P.O. Box 764606, Abu Dhabi, UAE

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