

Monthly Islamic Equity Market Report

November 2022

HANetf & Saturna Capital

Saturna Al-Kawthar Global Focused Equity UCITS ETF

AMAL

75 bps

IE00BMGRZP89

Product Inception Date: 28/09/2020

(Saturna Capital took over the management of AMAL. The rebalancing was done on 24.11.2021)

For Professional Clients Only. Capital at risk.

All data as of 31/10/2022

This report was written by, and is the opinion of, the AMAL index providers Saturna Capital.

Key Takeaways

Strong job growth, continuing wage gains and persistent inflation made it all but certain the US Federal Reserve would hike rates by 75 basis points at the November meeting and they delivered. Of greater interest to investors was guidance concerning future increases. While Chairman Powell raised the possibility of smaller increases ahead, he also raised the bar on the expected endpoint and admitted that the path from here to there makes it increasingly difficult to avoid recession.

The US S&P 500 has moved higher in the year following every mid-term election since 1942. One can certainly point to the “polycrisis” facing the world today but the four most dangerous words in investing are “this time is different.” Our quantitative analyst estimates the odds of the 20-instance, 80-year track record occurring randomly are anywhere from 1 in 100 to 1 in 1,000, so there must be a reason. Gridlock seems a likely contributor since the president’s party almost always loses seats in the mid-terms and the legislative agenda stalls. Many investors prefer legislative inactivity. We prefer to hang our hats on stock selection rather than tactical asset allocation and will remain invested.

In October the Saturna Al Kawthar Global Focused Equity UCITS ETF appreciated 6.63% in USD.¹ The performance was in line with Islamic and conventional global indices. We are pleased that, despite the avoidance of fossil fuel investments, the ETF kept pace with benchmarks during a month when Energy was the strongest performing sector. Positive selection among Materials, Consumer Discretionary, Healthcare and Information Technology stocks covered the Energy gap. Stocks registering strong returns included US health insurer Elevance, Eli Lilly, Merck, crop protection firm Corteva and US HVAC specialist Johnson Controls. France’s Schneider Electric provided the best non-US performance. The only significant losers during the month were cardiovascular specialist Edwards Life and Taiwan Semiconductor.

Please note that all performance figures are showing net data. Past performance is not indicative of future performance and when you invest in ETFs your capital is at risk.

Macro Outlook

Hope springs eternal and in October hope sprung equity markets to solid gains around the world. Apart from “potentially oversold” we have no explanation for the rebound from September’s decline. Even large cap indices in the UK shrugged off Truss-tastrophe to register positive returns. Greater China provided the notable exception as indices in Shanghai, Shenzhen, Hong Kong and Taiwan succumbed to cross-straits tensions, the

¹ HANetf / Bloomberg. Data as of 31.10.2022.

inexplicable refusal of the Chinese government to import mRNA vaccines thereby necessitating continued economically and socially disruptive COVID lockdowns and the US imposition of sweeping technology restrictions limiting China's access to semiconductors and chip-making equipment. Such restrictions are the inevitable result of Xi Jinping's 2015 launch of the Made in China 2025 program. Are retaliatory sanctions against the US on, say rare earths, equally inevitable? Probably yes and the world will take another step toward economic bifurcation. Such a development can only be negative for China's economy (not that it's positive for the West). Meanwhile, we can point to several countries that have faltered when long-time leaders judged themselves indispensable to the nation's future. Xi's presidential hat-trick does not bode well when China's working age population has started to decline, its dependency ratio rises and the middle-income trap looms. Desperate times call for desperate measures. What measures might Xi decide are necessary as China's economy stagnates or conditions in the property market deteriorate further? Fast track semiconductor development by bringing Taiwan into the fold? The Saturna AI Kawthar Global Focused Equity UCITS ETF has no direct exposure to Chinese companies, while we are actively reviewing indirect exposures.

Islamic Equity Performance Table

As of 31.10.2022

	1M	3M	6M	YTD	12M	SI
Saturna AI-Kawthar Global Focused Equity UCITS ETF	6.63%	-7.17%	-8.88%	-24.51%	-25.94%	-17.66%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/10/2022. Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. When you invest in ETFs and ETCs, your capital is at risk.

Product Details

The Saturna AI-Kawthar Global Focused Equity UCITS ETF aims to achieve capital appreciation by investing in Islamically-acceptable companies with robust environmental, social, and governance (ESG) policies. We believe such companies offer a reduced risk profile, while operating at no competitive disadvantage, thereby offering the opportunity for superior risk-adjusted returns.

Visit the [AMAL.L Fund Page](#) for more information.

Scott Klimo, CFA

Vice President & Chief Investment Officer,



Scott joined Saturna Capital in May 2012. He received his BA in Asian Studies from Hamilton College in Clinton, NY and also attended the Chinese University of Hong Kong and the Mandarin Training Center in Taipei, Taiwan. Scott has over 30 years' experience in the financial industry with the first several years of his career spent living and working in a variety of Asian countries and the past 20 years working as a senior analyst, research director and portfolio manager covering global equities. Mr. Klimo is a Chartered Financial Analyst (CFA) charterholder and an avid cyclist. He is a supporter of various environmental organizations and served for several years on the Board of Directors of the Marin County Bicycle Coalition.

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 - ii. the carbon securities ETCs under the terms in the base prospectus approved by the UK Financial Conduct Authority (“FCA”) and the relevant final terms of the carbon securities (together, “FCA Carbon ETC Prospectus”); and
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The ETF Prospectus, Metals ETC Prospectus, FCA Carbon ETC Prospectus, CBI Carbon ETC Prospectus and Cryptocurrency Prospectus can all be downloaded from www.hanetf.com.

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