

# Monthly Islamic Equity Market Report

December 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 30/11/2022

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

## Key Takeaways

The largest financial story of the month, Twitter notwithstanding, had to have been the implosion of FTX. Truth be told, we are not crypto experts. More to the point, neither are we crypto investors. We have taken the position that cryptocurrencies are not permissible (Halal). In fact, they seem the definition of the Arabic word gharar. Loosely translated it means "that whose consequences are hidden." In shorthand, we can translate it as speculation. With no stream of income, no future cash generation possibilities and lacking the 5,000-year history of gold as a store of value, cryptocurrencies seem the ultimate speculation.

In November the Saturna Al Kawthar Global Focused Equity UCITS ETF appreciated 7.60% in USD.<sup>1</sup> The performance was in line to slightly better than Islamic and conventional global indices. GBP returns trailed the USD figure as the dollar shed 5.0% against global currencies as measured by the DXY Index. November marked the second consecutive month of USD weakening. After being punished for most of the year, the Technology sector staged a solid rebound following a sharp early month sell-off. A good chunk of the bounce occurred on the final day of the month after Federal Reserve Chair Powell's remarks that the pace of rate increases may slow. Whether that remains the case following the unexpectedly strong November jobs report remains to be seen. In any event, Technology stocks made the largest contribution to ETF returns, led by ASML, Taiwan Semiconductor, Texas Instruments and Microsoft. Industrials made the second largest contribution. Vestas Wind Systems jumped, with most of the gain coming before Powell's announcement. Schneider Electric continued its winning ways, while Johnson Controls and Assa Abloy were both strong. Finally, Healthcare continued the positive momentum it has demonstrated all year with AstraZeneca, Agilent and Novo Nordisk leading the way. None of the sectors in which we invested provided a negative return.

**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

While Chair Powell's remarks on slowing the pace of rate increases provided the market a brief dose of euphoria, we are left with the issue of how much further rates are to rise and what will be the impact on the real economy. If we are to believe the yield curve, and history supplies no reason not to, a recession is headed our way, based on a degree of inversion not seen since 1981. Those old enough to be working at that time may recall that year's inversion presaged a recession that drove US unemployment to a peak of 10.8% in November/December 1982.<sup>2</sup> But wait. Above didn't you reference an unexpectedly strong November jobs report? Yes, we did and, with a

<sup>1</sup> Bloomberg. Data as of 30.11.2022.

<sup>2</sup> <https://fred.stlouisfed.org/series/UNRATE>

3.7% rate at November month-end, soaring unemployment seems the least of our worries. We wonder, however, how much the labor tightness reflects the decline in the labor force participation rate, which has declined by over 1% from just prior to the pandemic.<sup>3</sup> It seems worth noting that the unemployment rate early in the Global Financial Crisis was 5% and one year later had jumped to 9%. As we have commented previously, the four most dangerous words in investing are “this time is different.” Another great danger is extrapolating the present into the future. While not economists, we believe recession seems the most likely outcome of the Fed’s aggressive actions. Our approach, as always, will be to invest in the best possible companies for the long term, rather than trying to time market moves.

### Islamic Equity Performance Table

As of 30.11.2022

	1M	3M	6M	YTD	12M	2Y	SI
Saturna Al-Kawthar Global Focused Equity UCITS ETF	7.60%	5.54%	-0.77%	-18.77%	-15.20%	-16.10%	-11.41%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 30/11/2022. 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 Al-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 [AMALL 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.

### Important Information

#### Communications issued in the UK (ETFs and ETCs)

The content in this document is issued by HANetf Limited (“HANetf”) and approved by Privium Fund Management (UK) Limited (“Privium”). HANetf are an appointed representative of Privium, which is authorised and regulated by the Financial Conduct Authority. HANetf is registered in England and Wales with registration number 10697042.

#### Communications issued in the European Economic Area (“EEA”) relating to ETFs

The content in this document is issued by HANetf Management Limited (“HML”) acting in its capacity as management company of HANetf ICAV. HML is authorised and regulated by the Central Bank of Ireland. HML is registered in Ireland with registration number 621172.

<sup>3</sup> <https://fred.stlouisfed.org/series/CIVPART>

**Communications issued in the EEA relating to ETCs**

The content in this document is issued by the relevant Issuer.

**The Issuers**

1. HANetf ICAV, an open-ended Irish collective asset management vehicle issuing under the terms in the Prospectus and relevant Supplement for the ETF approved by the Central Bank of Ireland (“CBI”) (“ETF Prospectus”) is the issuer of the ETFs. Investors should read the current version of the ETF Prospectus before investing and should refer to the section of the ETF Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETFs. Any decision to invest should be based on the information contained in the ETF Prospectus.
2. HANetf ETC Securities plc, a public limited company incorporated in Ireland, issuing:
  - i. the precious metals ETCs under the terms in the base prospectus approved by both the Central Bank of Ireland (“CBI”), the UK Financial Conduct Authority (“FCA”) and the final terms of the precious metals (together, “Metals ETC Prospectuses”);
  - 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
  - iii. the carbon securities ETCs under the terms in the base prospectus approved by the Central Bank of Ireland (“CBI”) and the final terms of the carbon securities (together, “CBI Carbon ETC Prospectus”).

Investors should read the latest versions of the relevant ETC prospectus before investing and should refer to the section of the relevant ETC prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETCs. Any decision to invest should be based on the information contained in the relevant ETC prospectus.

3. ETC Issuance GmbH, a limited liability company incorporated under the laws of the Federal Republic of Germany, issuing under the terms in the Base Prospectus approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) and the final terms (“Cryptocurrency Prospectus”) is the issuer of the ETC Group ETCs. Investors should read the latest version of the Cryptocurrency Prospectus before investing and should refer to the section of the Cryptocurrency Prospectus entitled ‘Risk Factors’ for further details of risks associated with an investment in the ETCs contained in the Cryptocurrency Prospectus. Any decision to invest should be based on the information contained in the Cryptocurrency Prospectus.

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](http://www.hanetf.com).

This communication has been prepared for professional investors, but the ETCs and ETFs set out in this communication (“Products”) may be available in some jurisdictions to any investors. Please check with your broker or intermediary that the relevant Product is available in your jurisdiction and suitable for your investment profile.

Past performance is not a reliable indicator of future performance. The price of the Products may vary and they do not offer a fixed income.

This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could differ materially from those anticipated in such statements. Therefore, readers are cautioned not to place undue reliance on these forward-looking statements.

The content of this document is for information purposes, and does not constitute an investment advice, recommendation, investment research or an offer for sale nor a solicitation of an offer to buy any Product or make any investment.

An investment in an exchange traded product is dependent on the performance of the underlying asset class, less costs, but it is not expected to track that performance exactly. The Products involve numerous risks including among others, general market risks relating to underlying adverse price movements in an Index (for ETFs) or underlying asset class and currency, liquidity, operational, legal and regulatory risks. In addition, in relation to Cryptocurrency ETCs, these are highly volatile digital assets and performance is unpredictable.

The information contained on this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public offering of securities in the United States or any province or territory thereof, where none of the Issuers (as defined below) or their Products are authorised or registered for distribution and where no prospectus of any of the Issuers has been filed with any securities commission or regulatory authority. No document or information on this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the Issuers, nor any securities issued by it, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes.

