

Monthly Islamic Equity Market Report

March 2023

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 28/02/2023

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

Key Takeaways

Buoyant January markets turned south in February as US economic statistics proved more resilient than expected, dashing hopes of a “Fed pivot” later in the year. As a result, US government bond yields rose to their highest levels of the year, leading to a rebound in the US dollar.

With strong non-farm payrolls reports, upward revisions to wage growth figures, sticky inflation and GDP expansion in the US and elsewhere, all eyes are on the Federal Reserve’s March 21-22nd meeting and whether the buoyant data pushes Fed governors to support a half-point rate increase. Absent a stark reversal in recent data trends, at the very least we should expect an increase in the outlook for peak rates.

In February the Saturna Al Kawthar Global Focused Equity UCITS ETF shed -2.64%, outperforming conventional global indices but lagging global Islamic indices. Markets continued their seesaw action with declines in December followed by a January rebound that quickly morphed into a February sell-off. ETF returns were damaged by positions in Adobe, Trimble, Alphabet and Agilent, all US stocks and three of the four in the Technology sector. Losses were offset, although not overcome, by gains in Wolters Kluwer, Novo Nordisk, Vestas Wind and AstraZeneca. Having the biggest losers concentrated in the US, while the leading positive returns were sourced in Europe tells us about the relative performance of the two regions.

Sources available upon request. **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

Running of the Bulls or Cocaine Bear?

On several occasions we have outlined our focus on the long-term investment thesis for individual companies rather than attempting to prognosticate the future direction of markets. Being investment analysts and portfolio managers, however, we of course track market moves and hold opinions regarding the market outlook. Having temporarily exhausted the reservoir of fresh buy and hold topics, this month we’ll write a bit about how we see markets performing over the remainder of the year, with the caveat that our odds of being correct are no better than 50/50. On the macro-economic front, we believe that pandemic disruptions continue to resonate through the global economy. While demand for goods has moderated, services have taken up the slack, demonstrated by buoyant restaurant, airline and hotel expectations. Low unemployment combined with robust wage growth indicate the current spending ebullience may continue. Adding in the pandemic’s effect on labor participation, China’s re-opening, inefficiencies and supply squeezes generated by technological sanctions on China and the Ukraine War, it’s

difficult to escape the conclusion inflation may persist into the back half of the year. Such a conclusion implies higher rates for longer and raises the possibility of a central bank overshoot sparking an economic downturn.

Switching to the stock market we see valuations that, at best, are roughly in line with pre-pandemic norms, while interest rates have moved to post-Global Financial Crisis highs. Yes, multiples have contracted from the peak levels of late 2021 but those valuations were pushed dramatically higher by the low rate, free money environment of the pandemic. And let's not forget that valuation has two inputs: price and earnings. If we are right about the risk of a central bank overshoot, earnings are certain to suffer. In conclusion, we see risks skewed to the downside, and do not plan to make any portfolio adjustments in reaction to the current environment.

Islamic Equity Performance Table

As of 28.02.2023

	1M	3M	6M	YTD	12M	2Y	SI
Saturna Al-Kawthar Global Focused Equity UCITS ETF	-2.64%	-1.61%	3.84%	2.39%	-9.23%	-18.25%	-12.84%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 28/02/2023. 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 [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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