

# Monthly Islamic Equity Market Report

April 2023

HANetf & Saturna Capital

Saturna Al-Kawthar Global Focused Equity UCITS ETF

AMAL

75 bps

IE00BMGRZP89

Product Inception Date: 28/09/2020

For Professional Clients Only. Capital at risk.

All data as of 31/03/2023

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

## Key Takeaways

We write truthfully in stating; this report was not composed by ChatGPT or any other AI engine. How long that continues to be the case, we cannot say, although we have adopted a firm-wide directive prohibiting the use of such resources for business purposes. Nonetheless, AI's disruptive potential remains clear, and we are working to understand investment themes stemming from a technology that has exploded onto the scene in recent months.

In March the Saturna Al Kawthar Global Focused Equity UCITS ETF gained 5.79% in USD, outperforming global Islamic, conventional global and global ESG indices. In GBP the ETF returned 2.57% as the British pound strengthened against the US dollar. Investors may not have expected strong performance to follow two of the largest bank failures in US history, along with Credit Suisse, but Treasury, Federal Reserve and UBS actions apparently ameliorated concerns of systemic risk. In March various engineering and commercial real estate exposed investments performed poorly, having potentially greater exposure to the banking health. These included Johnson Controls, Assa Abloy, Trane Technology and Schneider Electric. More positively, we experienced continuing solid returns from major technology and consumer companies including Microsoft, Alphabet, Adobe and L'Oreal. Eli Lilly enjoyed a rebound, reversing the weakness that had plagued it following last year's stellar performance. Leading all stocks was Canadian athleisure specialist Lululemon, which provided results and guidance ahead of expectations, while demonstrating solid inventory control.

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

### Are We There Yet?

Inflation expectations continue riding the roller coaster of data dumps and financial market developments. The release of February data around the world, including high inflation in Europe and strong jobs growth in the US, had investors girding for another round of sharp rate hikes and a March Fed 50-basis point increase seemed likely. Then Silicon Valley Bank (SVB), absent a Chief Risk Officer since the previous June and apparently a top of the market buyer of longer-dated US debt, suffered a deposit run that quickly pushed it into insolvency. Crypto-tized (hypnotized by the infinite possibilities of digital currencies) Signature Bank quickly followed demonstrating that its taxi medallion failings were not a one-off. Despite the government again rushing into the arms of moral hazard by guaranteeing all deposits at the two banks, money flooded out of bank deposits and into money market funds in the US. Federal Reserve data shows bank deposits falling \$363 billion since the beginning of March, while money market funds have risen by \$304 billion. Although loan deposit ratios are generally low across the banking

industry, and without delving into the specifics of SVB’s depositor base and unique vulnerability to rapid withdrawals, such a fall in deposits clearly tightens liquidity and willingness to lend, especially among the smaller regional and community banks. As it happened, the Federal Reserve proceeded with a 25-basis point increase, ignoring the concurrent failure of long-time problem child Credit Suisse. Bond market rates have been declining and the most recent data indicates job market cooling but investors may have traded their giddiness over potentially lower rates to dread over approaching recession and the potential effect on corporate earnings. Clarity has yet to emerge.

## Islamic Equity Performance Table

As of 31.03.2023

	1M	3M	6M	YTD	12M	2Y	SI
Saturna Al-Kawthar Global Focused Equity UCITS ETF	5.79%	8.32%	19.42%	8.32%	-5.89%	-16.35%	-7.79%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/03/2023. 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
  - 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.
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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](http://www.hanetf.com).

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