

# Monthly Islamic Equity Market Report

June 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 31/05/2023

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

## Shariah ETF: Key Takeaways

Despite moderating headline inflation and the potential liquidity tightening effects of the failures of two US and one Swiss bank in March, the Federal Reserve continued tightening, raising rates 25 basis points at their May meeting, taking the target rate to 5-5.25%. US yield curves remain inverted but an unexpectedly strong early June jobs report may lead to another hike this month.

In May the Saturna Al Kawthar Global Focused Equity UCITS ETF slipped -0.97%, in line to slightly ahead of comparable Islamic and conventional global ETFs. While US technology stocks powered ahead, lifting broad US benchmarks, European markets were flat to down in local currencies and down in USD, with the UK and France among the weakest performers. In Asia, China and Hong Kong were especially weak, while Japan provided a bright spot supported by positive developments in corporate governance and Warren Buffett's successful investments in the country.

Last month we noted that a large inflow provided the opportunity to rebalance the ETF, raising weights – primarily in tech positions – that performed poorly in 2022. That paid off in May as the leading contributors were dominated by stocks such as Adobe, ServiceNow, Taiwan Semi, Alphabet and ASML. Consumer Discretionary, Healthcare and Industrials were the main detractors from performance, led by Canadian athleisure specialist Lululemon. The shares spiked by over 10% at its previous quarterly report but slumped sharply following the Federal Reserve's afore-mentioned rate increase. June 1<sup>st</sup> brought another strong quarterly report and another double-digit jump in the share price. Investors appear to require regular reminding of the company's strengths.

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

### The Beat Goes On

Technology stock performance continued apace in May, boosted by Nvidia's nearly incomprehensible increase to forward guidance based on demand for their chips from AI applications. After reporting revenue of \$7.2 billion for its fiscal first quarter, Nvidia provided sales guidance of \$11 billion for the second quarter – 53% higher. The shares appreciated 24.4% on the day as a result. Unfortunately, the Saturna Al Kawthar ETF does not hold NVDA, but it does hold several related companies that will benefit from the exploding interest in AI. These include global lithography leader ASML, global foundry leader Taiwan Semiconductor and leading AI developers Microsoft and Alphabet. Several other companies in the portfolio should benefit as AI improves in applications as diverse as drug discovery and content development. Indeed, one of our current tasks revolves around identifying the companies best placed to benefit from developments in AI and, just as importantly, determining which companies will be disadvantaged or disintermediated by the developing technology.

## Shariah ETF Performance Table

As of 31.05.2023

	1M	3M	6M	YTD	12M	2Y	SI
<b>Saturna Al-Kawthar Global Focused Equity UCITS ETF</b>	<b>-0.97%</b>	<b>6.95%</b>	<b>5.23%</b>	<b>9.51%</b>	<b>4.41%</b>	<b>-19.15%</b>	<b>-6.78%</b>

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/05/2023. 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”).

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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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