

# Monthly Islamic Equity Market Report

July 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 30/06/2023

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

## Shariah ETF Key Takeaways

In June the Federal Reserve took a breather in its campaign to defeat inflation through higher rates. As a blunt tool, it's generally believed that the lag time for rate hikes to affect the economy extends to 18 months. Perhaps that provides comfort to policy makers as any decline in inflation to date appears less the result of higher rates and more due to the normalization of various factors, such as supply chains, following pandemic disruptions. A strong private market US employment report after the Independence Day holiday increases the likelihood that the Fed will return to its tightening path at the next meeting.

In June the Shariah ETF jumped 5.64%, slightly behind comparable Islamic benchmarks but ahead of conventional global indices. Contributors were led by Adobe but included medical equipment provider Edwards Life, heating and cooling leader Trane Technology and US DIY home improvement retailer Lowe's. Holding back returns were alternative energy providers Vestas Wind and Enphase Energy, along with British pharmaceutical and consumer products firms AstraZeneca and Reckitt Benckiser.

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

Following Germany's invasion of Poland on 1<sup>st</sup> of September 1939 and the French/British declaration of war two days later, minimal fighting occurred until Nazi panzers rolled into the Low Countries and France in May 1940. While it lasted, the eight-month interregnum came to be known as the Phoney War. Market observers could be forgiven for thinking the same of the yet to be realized recession that was assumed to be an inevitable consequence of the Federal Reserve's tightening in the wake of high post-pandemic inflation. Economists are generally a sunny lot, rarely forecasting downturns in advance of their arrival.

For 2023, however, consensus strongly favoured a global recession. In the first half of the year European economies have been weak, while the removal of China's COVID restrictions released a burst of activity that subsequently cooled to the point of spurring officials to take stimulative measures.

Meanwhile, Japan has demonstrated surprising strength, while the US economy soldiers on with expanding GDP, rising wages, low unemployment and a surging stock market. What now? Just as May 1940 brought an end to the Phoney War, we cannot dismiss future economic contraction based on its not having arrived. Inflation remains elevated and earlier hopes of a Fed "pivot" have evaporated.

And what of that Genie of Economic Prognostication, the yield curve? While boasting an impressive record of predictive success, it provides little guidance regarding timing. A rule of thumb looks for a recession to begin within a year of the yield curve

inverting, although the lag has been as great as two years. Disconcertingly, the US 2Y-10Y curve inverted roughly a year ago, while the Cleveland Fed currently estimates the probability of recession within one year at 79%.

## Shariah ETF Performance Table

As of 30.06.2023

	1M	3M	6M	YTD	12M	2Y	SI
<b>Saturna Al-Kawthar Global Focused Equity UCITS ETF</b>	5.64%	6.80%	15.69%	15.69%	20.67%	-14.89%	-1.52%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 30/06/2023. 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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