

# Monthly Islamic Equity Market Report

August 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 31/07/2023

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

## Shariah ETF Key Takeaways

In July the Federal Reserve and the ECB raised rates further with the Fed adding 25 basis points to take the Fed Funds rate to a 22-year high of 5.5%. Meanwhile, the ECB's 25 basis point hike took their benchmark rate to 3.75%, matching the previous high set in 2000, shortly after the launch of the Euro currency. Both intuitions noted the decline in inflation, while cautioning that it remained above acceptable levels. The Fed and the ECB face different challenges in that the US economy has proven more resilient, so how much more must the FED do? In Europe, weakening growth raises fears that, despite inflation's tenacity, rate increases to date will tip the region into a broad decline. Not wanting to be left out, the Bank of Japan raised the hard cap on 10-year government bond yields from 0.5% to 1.0%. Baby steps perhaps but a long time coming.

In July the Shariah ETF gained 1.25%, trailing comparable Islamic and conventional benchmarks, almost entirely due to the ETF's absence of energy exposure. Looking at the United States as a broad indicator, in July the S&P Energy Sector was the strongest performing sector, gaining 7.3%. Healthcare, which is one of two sectors in which the ETF has its largest exposure, was the weakest sector during the month, appreciating only 0.9%. Information Technology, the largest exposure in the ETF appreciated 2.6%. Apart from the lack of energy, performance during the month was hampered by declines in Enphase Energy, our solar exposure, and healthcare specialties company Edwards Life Sciences. While the Information Technology sector experienced a gain, several of our semiconductor positions, including Taiwan Semi, ASML and Texas Instruments lagged the group. Contributors were led by tax preparation firm Intuit and, for the second consecutive month, Adobe. We also saw good performance from heat pump leader Trane Technologies, as well as Agilent, a medical equipment company that had previously been performing poorly.

Source of all performance data: HANetf / Bloomberg as of 31.07.2023. Additional 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 – Bear Steepening?

We are not fixed income investors but developments in the bond market provide signposts for future economic and equity market developments. We welcome the post-pandemic shift up in the yield curve for several reasons, including the opportunity for savers to earn a return on their deposits and the removal of distortions resulting from "free money." The yield curve inversion seen over the past year indicated recessionary risks were rising. Now, however, the short end of the curve has stabilized while longer dated bonds have dropped in price, causing yields to rise. This may indicate a belief that the Fed has reached the end of its tightening campaign, but the economy will not tip into recession. Sounds like good news, although the other implication is that rates remain higher for longer, which could be negative for the stock market.

## Shariah ETF Performance Table

As of 31.07.2023

	1M	3M	6M	YTD	12M	2Y	SI
Saturna Al-Kawthar Global Focused Equity UCITS ETF	0.74%	5.39%	10.80%	16.54%	11.84%	-14.11%	-0.80%

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/07/2023. 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 [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.

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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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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).

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