

# Monthly Islamic Equity Market Report

September 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 31/08/2023

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

## Shariah ETF Key Takeaways

While the US and Japanese economies continue to demonstrate impressive resilience, European growth remains challenged, with inflation persisting at stubbornly high levels. Q2 eurozone GDP expanded at a 0.3% pace following zero growth in the first quarter, while July inflation came in at 5.3% and core inflation at a sticky 5.5%. Eurozone performance has been held back by a weak German economy which suffered more than most from the Russian invasion of Ukraine and declining demand in China. As Europe stagnates, US GDP growth hit 2.1% in Q2 and the Federal Reserve Bank of Atlanta forecasts a stunning Q3 rate of 5.6%.

In August the Shariah ETF returned -1.78%, in line with comparable Islamic benchmarks but ahead of conventional global indices. Returns were led by the 20%+ appreciation of both Eli Lilly and Novo Nordisk, driven by their diabetes semaglutide offerings, which have been found to also be highly effective in weight reduction. While both companies reported excellent first half results, the real driver of returns was a recently completed five-year, 17,600 patient study from Novo Nordisk indicating that its semaglutide led to a 20% reduction in major adverse cardiovascular events (MACE) in non-diabetic patients 45 and older who were overweight with established cardiovascular disease. While insurance companies can deny coverage for "cosmetic" treatments such as weight loss, refusing coverage for a highly effective heart medication is more difficult. Despite the gains from Lilly and Novo, most portfolio holdings declined in line with global stock market averages. These declines were across the board with our five weakest performing stocks representing five different industries: alternative energy, agricultural materials, healthcare insurance, technology and HVAC.

Source of all performance data: HANetf / Bloomberg as of 31.08.2023. 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?

The economic resilience described above has come as a surprise to most, with recession being the default expectation at the start of the year due to the Federal Reserve's aggressive rate hikes. Instead, consumers have been buoyant and GDP expansion is accelerating. How to explain the disconnect? We believe it comes down to time. Pandemic stimulus support has dwindled but remains. Student loan repayments have been suspended, although they will soon resume. Seniors received a boost in Social Security payments. Rates have jumped but corporates and consumers locked in lower rates during the pandemic and have yet to feel the effect of more expensive borrowing. Look at the housing market. US homebuilder stocks have soared as they became the default source of supply while existing home sales collapsed. US 30-year fixed rate mortgages are unique globally and why trade a 3% mortgage rate locked in during the pandemic for a 7%+ rate today? Many corporates used the pandemic to issue debt and replenish coffers. Eventually people will need to move or purchase a new car and

companies will need to borrow. Interest expense will kick in and we will see how resilient the economy remains then.

## Shariah ETF Performance Table

As of 31.08.2023

	1M	3M	6M	YTD	12M	2Y	SI
<b>Saturna Al-Kawthar Global Focused Equity UCITS ETF</b>	<b>-1.78%</b>	<b>4.52%</b>	<b>11.78%</b>	<b>14.46%</b>	<b>16.08%</b>	<b>-15.87%</b>	<b>-2.56%</b>

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 31/08/2023. 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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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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