

Fund Description

With a view to maximizing its assets over the medium/long term, the Fund will typically invest in “Sukuk” Islamic instruments including, for example, government and/or supranational securities, emerging credit instruments and corporate and/or convertible bonds of the Shariah-compliant types. The issuers of the foregoing securities will typically be headquartered in an emerging country of the Middle-East and Asia or will conduct a significant part of their operations in one of those countries.

Commentary

The UST 10-yr hit the 3% mark for the first time since January 2014, pushed up by a mix of inflation expectations and growth momentum. Even more remarkable was that the curve bear flattened with the yield differential between UST-2yr and 10yr shrinking to 0.5% from 1.25% at the end of 2016. Oil prices have strengthened further above USD 70/bbl on the back of continued supply discipline from OPEC and geopolitical volatility mainly dictated by US hawkish stance on the Iranian nuclear deal. The primary market saw a number of new issues, including : Sharjah Islamic Bank (USD500 million 5-yr, oversubscribed by more than three times), DAMAC (USD 400 million 5-yr Sukuk) and Noor Bank (USD500 million 5-yr, oversubscribed more than twice). The Fund’s duration remains low and stable (average maturity of 3 years) with cash and cash equivalents (i.e. IILM issues) accounting for 4.4% of the NAV (from 15% at end-2017). The portfolio diversification stays at its highest levels (98 issuers and the top 10 positions accounting for 23% of the total NAV) with an average rating of BBB (with low exposure to highly-g geared sectors such as real estate and energy). The Fund’s currency diversification (MYR, IDR, SGD, GBP) is at 6.3% of NAV (from 7 %) - which is below the self-imposed ceiling of 25%. The portfolio has a 4.3% YTM (130bps versus the equivalent maturity on the US-curve and 12M USD LIBOR).

Fund Details

Base Currency	EUR
Legal Structure	Luxembourg UCITS V
Custodian	BNP Paribas Securities Services Luxembourg
Administrator	BNP Paribas Securities Services Luxembourg
ISIN codes	Retail share class: LU0947790142 (ACC_EUR); LU0947789565 (DIS_EUR); LU1232071495 (ACC_USD); LU1232071578 (DIS_USD) Share classes registered in UAE: LU1435409286 (ACC_USD); LU1435409369 (DIS_USD); LU1475577794 (ACC_SGD); LU1475577877 (DIS_SGD); LU1590082407 (ACC_GBP); LU1590082589 (DIS_GBP); LU1590082662 (ACC_AED); LU1590082746 (DIS_AED) Institutional share class: LU0942875963 (DIS_USD)
Inception Date	Retail share class: Sep 2013; Institutional share class: Sep 2013
Minimum investment	Retail share class: EUR 1,500; USD 1,500. Share classes registered in UAE: USD 1; SGD 1,000; GBP 1; AED 5; Institutional share class: USD 250,000
Liquidity	Daily
Management fees	Retail share class: 1.20%; Share classes registered in UAE: 1.00%; Institutional share class: 1.00%
Performance fees	According to the share class
Management Company	AZ Fund Management S.A.

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