

Principal Islamic Asset Management (Ireland) (PLC)

Islamic Asia Pacific Dynamic Income & Growth Fund

I Class November 2022

Market Review

MSCI AC Asia Pacific ex Japan Islamic Index rose 15.4% in US\$ terms in November, largely due to China and Korea. The US 10-year bond yield risen 41bps to 4.01% while crude oil declined 10.8% to US\$85/ barrel.

Fund Review

In November, the Fund rose by 11.81% in US\$ terms. China and Korea were contributors. Sector wise, Information Technology and materials were the main contributors.

Portfolio Outlook and Strategy

Outlook

While the Fed will continue to tighten its monetary policy into 2023, the pace and magnitude of rate increase is expected to slow down. The futures market is currently implying a further 100bps rate hike up till March 2023 and thereafter to decline. Much of its trajectory would depend on the inflation rate, which has started to come in lower than expected in its recent data.

Post the congress meeting, more signs are emerging regarding China's reopening and approach towards zero-Covid, e.g. commentary by government officials that it will be entering a new phase with the omicron variant weakening. Several major cities have subsequently loosened restrictions such as that observed in Shenzhen and Shanghai. Furthermore, there are signs of improving policies with regards to the internet and property sector, providing a much-needed repair to these key sectors. We remain stock selective in China, favoring reopening plays and beneficiaries of policy tailwinds.

Strategy

We remain fully invested and diversified across sectors and geographies. During the month, we added technology hardware names where there is some form of expectations bottoming in 1H23.

Risk Considerations

Investing involves risk, including possible loss of principal. Past Performance does not guarantee future return. All financial investments involve an element of risk. Therefore, the value of the investment and the income from it will vary and the initial investment amount cannot be guaranteed.

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