ASB Capital

ASBC Sukuk Fund | March 2026 Factsheet

Fund Facts

Fund Manager
ASB Capital Limited
DIFC, Dubai, UAE
Prudential Supervision: DFSA

Investment Manager
Arqaam Capital Limited
DIFC, Dubai, UAE
Prudential Supervision: DFSA

Inception Date
1 May 2025

Asset Class
Global Sukuk

Benchmark
Dow Jones Sukuk Index

Investment Universe
Global Sukuk Issuances

Issue Currency
USD

AUM
USD 84.62 million

Liquidity
Weekly NAV

Administrator & Custodian
First Abu Dhabi Bank

Fund Brief

ASBC Sukuk Fund (the **Fund**) is a sub-fund (protected cell) under ASBC Cross-Asset Fund Open-Ended PCC PLC, a public fund incorporated in the DIFC and regulated by the DFSA.

The Fund seeks to maximize profit income and capital appreciation by investing in fixed and floating rate Sukuk of Government, Government-related issuers, supranational entities and corporate issuers. The Fund is suitable for investors who seek a diversified Sukuk portfolio, active management and an average Investment-Grade profile.

Investment Strategy & Guidelines

The Fund focuses on fundamental analysis with a strong emphasis on credit conviction. Its core credit positions are designed to deliver attractive income generation while staying within established volatility targets. The Fund will also invest in pull-to-par trades, special situations and re-rating opportunities, all backed by high-conviction and favorable risk reward profiles.

The strategy also incorporates a global macro-overlay, with emphasis on duration management, portfolio protection and risk factor exposure. The macro approach focuses on global economic drivers, as well as opportunistic investments in rates and spread duration.

The primary objective of the Fund will be to invest in Sukuk securities and/or instruments that meet the Investment Guidelines in accordance with the Standards as approved by the Shari'a Supervisory Board.

Subscription & Fees

Minimum Subscription Amount*	• Share Class A: USD 100,000 • Share Class B: USD 10,000 • Share Class C: USD 1,000,000 • Share Class D: USD 100,000 (Dividend Distributing, Quarterly)
Subscription Fee	Up to 5%
Management Fee	• Share Class A: 1.00% • Share Class B: 1.50% • Share Class C: 0.75% • Share Class D: 1.00% (Dividend Distributing, Quarterly)
Performance Fee	• 10% of profits • Hurdle Rate of 8% per annum • High-Water Mark*

Diversification Rules

Average Credit Quality	Investment Grade
Average Maturity	Maximum 7 Years
Maximum Position in an Issuer	15%
Maximum Position in Any Security	15%
Maximum Participation in Private Placement	20%
Maximum Allocation to High Yield Sukuk	50%
Maximum Participation in Un-Rated Sukuk	25%
Minimum Issue Size (notional)	USD 100,000,000

Fund Performance

Fund	Opening NAV	NAV	MTD	YTD	ITD
Benchmark** FIGI: BBG002VGYMW4	210.85	217.87	-2.11%	-1.16%	3.33%
Share Class A ISIN: AEDFXA76C006	100	101.30	-3.10%	-2.08%	1.30%
Share Class B ISIN: AEDFXA76C014	99.34	100.86	-3.15%	-2.20%	1.53%
Share Class C ISIN: AEDFXA76C022	99.53	101.53	-3.07%	-2.01%	2.02%
Share Class D ISIN: AEDFXA76C030	99.34	97.99	-3.20%	-2.14%	1.49%

Current Allocations

Number of Holdings	67
Average Coupon	5.17%
Average Yield	6.01%
Average Credit Rating	BBB
Average Maturity	4.94
Modified Duration	4.01

* No annual reset for high-water mark
** Opening NAV of benchmark as of launch of the Fund. Benchmark performance is aligned with the fund's closing NAV date for the relevant period.

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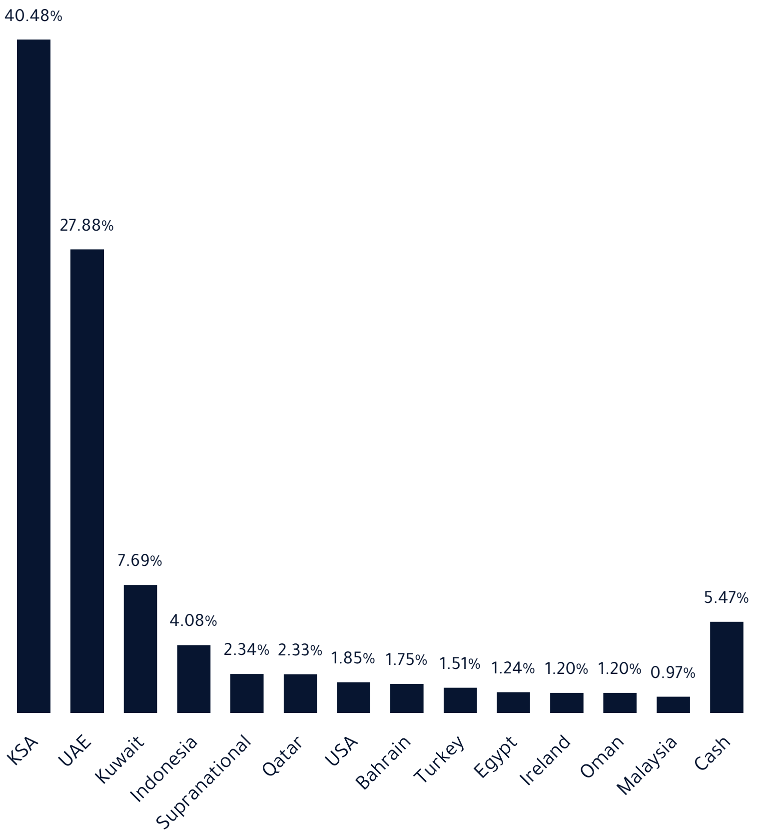
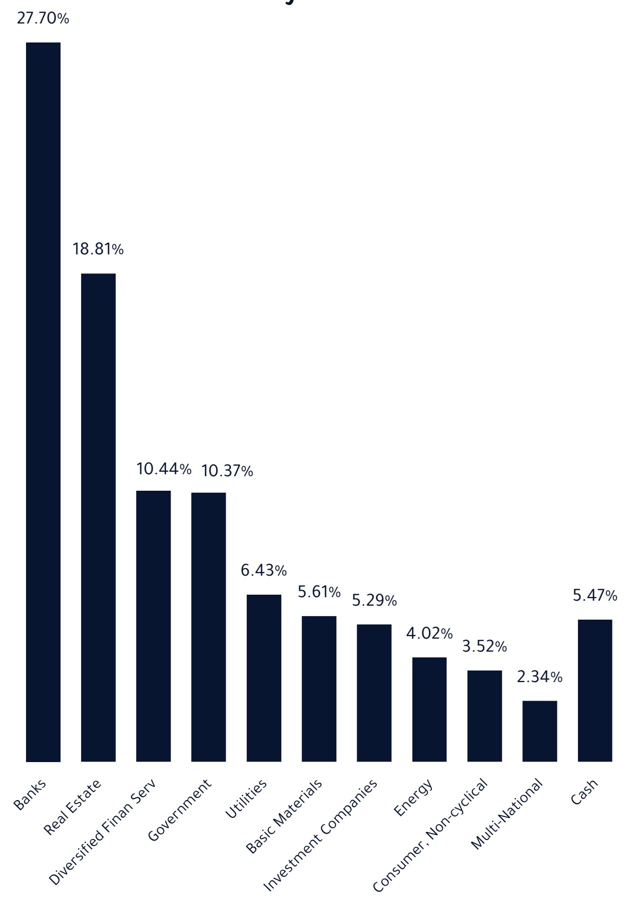
Current Allocation

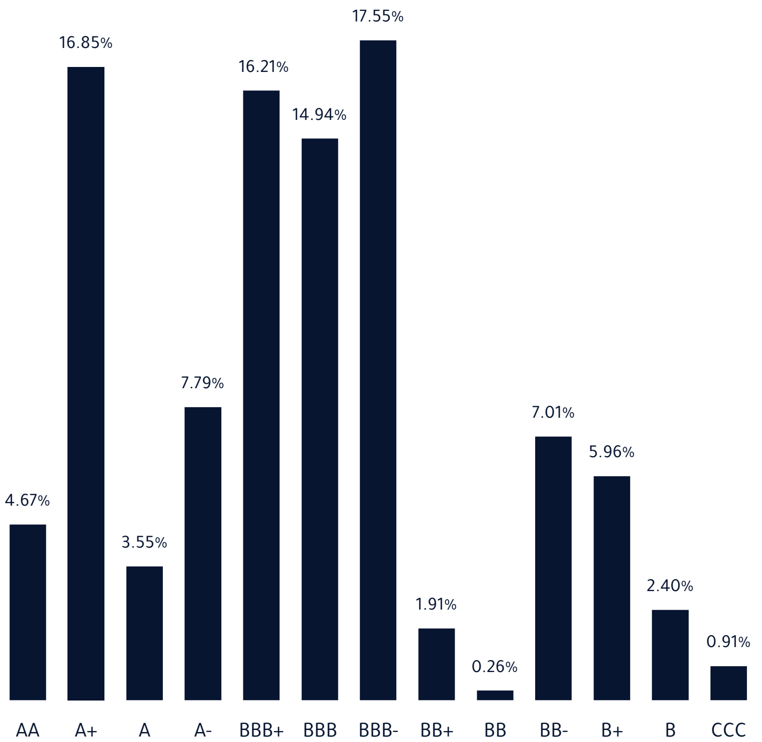
Regional Allocation



Industry Allocation

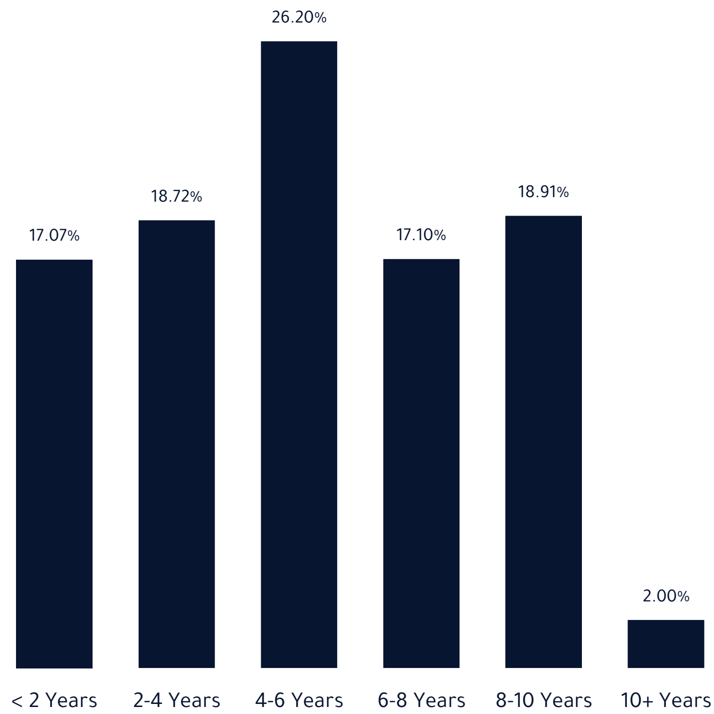


Credit Rating



Maturity Profile

(excluding cash)



Monthly Commentary

Market Backdrop: A War-Driven Oil and Rates Shock

March 2026 will be remembered as one of the most violent risk-off months in the history of the Sukuk market, defined by a geopolitical shock of a magnitude not seen since the 1970s. Following the coordinated US-Israeli strikes on Iran under Operation Epic Fury that began on 28 February, Iran declared the Strait of Hormuz closed in early March, carrying out drone and missile attacks on merchant shipping that brought tanker traffic to effective zero and disrupted roughly 20% of the world's daily oil supply. Brent crude surpassed USD 100 per barrel on 8 March for the first time in four years, peaking at USD 126 before easing to the USD 102-114 range later in the month as on-again, off-again negotiations played out.

The conflict had direct regional spillovers that are central to understanding this month's price action. Iran launched missiles and drones on neighbouring GCC countries, and on 16 March a drone strike sparked a fuel-tank fire near Dubai International Airport. On 18 March, Iran struck Qatar's Ras Laffan LNG complex, causing an estimated 17% reduction in Qatar's LNG production capacity, with repairs projected to take three to five years. Saudi Arabia and the UAE activated their alternative export routes via the Yanbu and Fujairah pipelines respectively, partially insulating the two regional anchors but leaving Bahrain, Oman and Qatar more directly exposed.

The market reaction was a textbook stagflationary shock unfolding in real time. US 10-year Treasury yields backed up to 4.46% by 27 March – their highest level since July 2025 – as the oil shock forced a repricing of the Fed's cutting path and investors priced in sticky inflation (US CPI accelerated to 3.4% year-on-year in March from 2.4% in February). Global equities sold off and a synchronised global bond market decline took hold. Against this backdrop, the Dow Jones Sukuk Index – shielded by its ~37% long-duration HG sovereign weighting, which materially outperformed the broader benchmark – returned **-2.11%** for the month. The sole segment of the IG curve to see spreads actually tighten was the 10-20Y duration bucket, populated by Indonesia sovereign, Malaysia sovereign and Saudi Electricity – a defensive bid into high-grade Islamic duration *outside* the conflict zone, rather than into GCC risk.

Performance Attribution: Understanding the Drag

The ASBC Sukuk Fund (Class C) returned **-3.07%** for the month, underperforming the benchmark by **-96 bps**. Year-to-date, the Fund stands at **-2.01%** versus the Index's **-1.16%**. The drag can be attributed to two structural factors, one dominant and one secondary:

- **Dubai-centric High Yield Real Estate was the epicentre of the drawdown.** The 16 March drone strike near Dubai International Airport, combined with commercial vessels anchoring off the UAE coast and the broader shock to regional tourism, trade and confidence, triggered a near-unprecedented repricing of GCC HY Real Estate. HY Real Estate 1-3Y delivered a total return of **-9.1%** and HY Real Estate 3-5Y **-12.5%** at the segment level. Our 18.8% allocation to Real Estate, of which 7% were in HY Real Estate, (vs. Index 3.3%) – a cornerstone of the strategy through 2025 – bore the brunt of this move and is responsible for the overwhelming majority of the month's relative drag.
- **The structural underweight to HG Sovereigns cost us on a relative basis.** Every HG sovereign segment outperformed the benchmark in March: HG Sov 1-3Y returned -0.43%, HG Sov 3-5Y -0.85% and HG Sov 5Y+ -1.52%, each comfortably ahead of the Index's -2.11%. Our Government allocation of 10.4% (vs. Index 37.0%) – a deliberate choice through preceding months to avoid "empty duration" and prioritise credit carry – meant we did not participate in the segment that acted as the benchmark's shock absorber. This relative underperformance was most acute at the long end, where the 10-20Y IG bucket (Indonesia, Malaysia, SECO) was the only segment of the curve to see spread tightening. We do hold Malaysia 2046 and SECO 2044 at modest overweights within the long end, which provided partial offset, but at the aggregate country level we entered the month significantly underweight Indonesia (4.1% vs. 11.3%) and with no direct exposure to the Islamic Development Bank (0% vs. 7.6%), which removed a natural hedge.
- **The carry cushion softened, but could not neutralise, a shock of this magnitude.** The Fund's Yield to Maturity rose to **6.01%** versus the Index's **5.06%**, a **+95 bps** income premium. In a month where price action was dominated by a genuine tail event, the carry engine provided meaningful cushion but could not offset the mark-to-market impact on our credit-led positioning. Incrementally, our Qatar underweight (2.3% vs. Index 4.4%) cushioned exposure to the Ras Laffan strike on Qatari issuer spreads – a small example of diversification working as intended.

Strategy & Outlook: An Exogenous Shock, Not a Credit Event

We are resolute on the most important distinction: March was an exogenous geopolitical event, not a deterioration in the credit fundamentals of our core holdings. Over the course of the month, the investment team held multiple calls with the management teams of our key Dubai real estate holdings, including **Sobha, Binghatti and Omniyat**. Each of these issuers reaffirmed a strong liquidity position sufficient to honour their contractual, operational and financial obligations through the period of dislocation. What we are observing in the market is a sentiment-driven repricing of forward risk premia, not any concrete deterioration in the cash flow profile or balance sheet resilience of the names we own. The price dislocation, in our assessment, is a technical event of distressed liquidity rather than a fundamental credit event.

We used the period of forced selling to sharpen our discipline. The Fund's **High Yield weighting has been reduced to 18.4% (from 22.0% at end-February)**, with exits from positions where the risk/reward no longer compensated for the wartime macro premium. Portfolio **duration has been modestly trimmed to 4.01 years** (from 4.14), reducing beta to any further spread volatility while preserving our credit-focused posture. The IG weighting stands at **76.1%**, and we retain our banking overweight (27.7% vs. Index 14.7%).

The path forward depends heavily on the trajectory of the conflict, and we remain humble about that uncertainty. What is concrete is the income engine: with a Yield to Maturity of **6.01%** – a full **95 bps** above the benchmark – the Fund generates approximately 50 bps of raw monthly carry, of which roughly 8 bps represents a relative carry advantage over the Index. That is a powerful compounding force once technical pressure subsides. Our mandate is unchanged: to ensure the portfolio is correctly positioned (including the 6% of fund sitting in cash) to capture the recovery when, and as, the Hormuz situation normalises.

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