

ADCB PJSC

## **Asset Management**

### **ADCB Global Sukuk Sub-Fund**

Sub-Fund Performance Report

January to December 2025

ADCB PJSC

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# **1. Strategic Review**

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## **1.1 Sub-Fund Overview**

The sub-fund's investment objective is to generate returns by investing in fixed income Shariah-compliant securities with the aim of providing investors with regular income distributions and capital growth. The fund is actively managed, and the Fund Manager seeks to achieve the investment objective by investing in a diversified portfolio of Sukuk, while the security selection is a result of the Fund Manager's adopted investment process. As of December 2025, the fund had a 98% allocation to Sukuk.

## **1.2 Factors Impacting Performance**

The sub-fund is actively managed and invests in global fixed income Shariah-compliant securities. The sub-fund is fully invested in fixed income securities, and performance has been influenced primarily by this asset class. As of December 2025, the sub-fund was majorly invested in securities listed in Saudi Arabia, the UAE, Oman and Indonesia. Moreover, the fund had a 45% allocation to Saudi Arabia and a 98% allocation in Sukuk.

Global macroeconomic and political events routinely impact the performance of developed and emerging markets. Both equity and fixed income markets reacted sharply to US tariff headlines in April 2025, while performance of global asset classes normalized during the year. The sub-fund generated a net return of 5.0% in 2025 and paid dividend during the period.

## **1.3 Sub-Fund Distributions**

The sub-fund's strategy aims to provide investors with regular income distributions and capital growth. Accordingly, the sub-fund declared and paid a dividend for in 2025 out of accumulated profits, in line with the Fund Manager's intentions to pay dividends.

The dividend amounted to \$0.1166 per share and was paid to active unitholders at record date May 28<sup>th</sup>, 2025.

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## **1.4 Adherence to Investment Guidelines**

The sub-fund adhered to investment guidelines during the period, and there were no breaches recorded. In the event of any breaches, the Fund Manager will perform the necessary corrective actions to bring the sub-fund back into compliance in the most efficient manner, while taking into account the best interests of unitholders.

## **1.5 Material Changes in Ownership**

There were no material changes in ownership of the fund during the period.

## 2. Sub-Fund Analysis

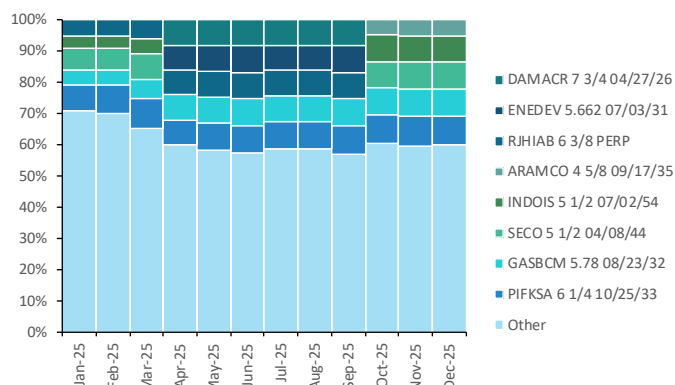
### 2.1 Sub-Fund Top Holdings

The sub-fund has a 98% allocation to fixed income instruments with a small cash balance maintained for the purpose of managing redemptions. The sub-fund's top 5 holdings account for approximately 40% of net assets, and all securities held are Shariah-compliant.

The Fund Manager follows an approach of bottom-up analysis while selecting securities and allocating risk. The investment process involves identifying potentially attractive investments that will undergo in-depth due diligence prior to capital deployment. The Fund Manager subsequently allocates risk on a relative basis, depending on the degree of conviction, valuation upside and quality of the target investment. Risk management is later conducted on an ongoing basis to ensure that allocations remain aligned with the Fund Manager's views and overall targeted portfolio risk level. Consequently, top holdings evolve from and are a product of the recursive application of fundamental and risk analysis by the Fund Manager.

#### Evolution of Fund Holdings

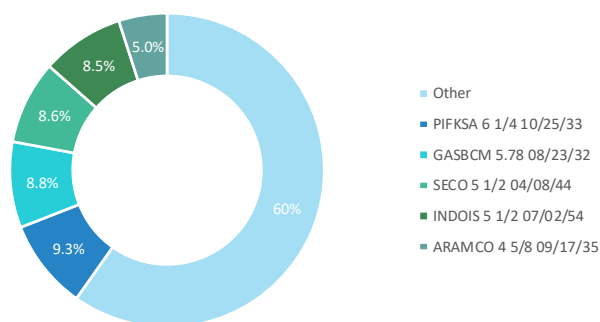
(% of Portfolio)



Source: Fund Administrator, ADCB

#### Top Fund Holdings

(% of Portfolio)



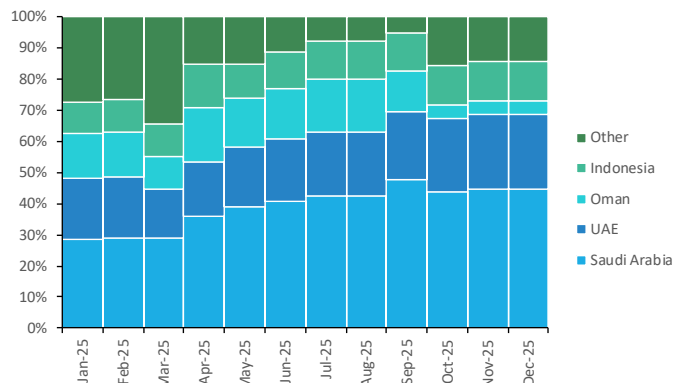
Source: Fund Administrator, ADCB

### 2.2 Sub-Fund Allocations

The sub-fund is actively managed and invests in global fixed income Shariah-compliant securities, while the target allocation is determined by the Fund Manager. At present, the sub-fund is majority invested in securities listed in Saudi Arabia, the UAE, Oman and Indonesia. At the end of December 2025, the sub-fund had a 45% allocation to Saudi Arabia and a 98% allocation in Sukuk.

#### Evolution of Country Allocations

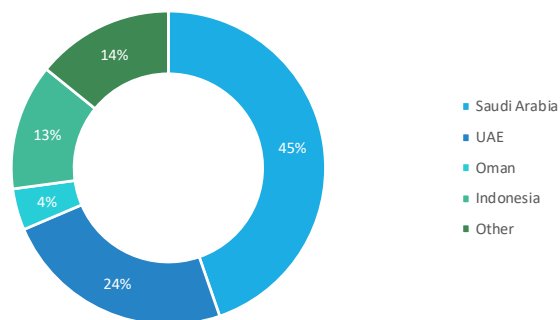
(% of Portfolio)



Source: Fund Administrator, ADCB

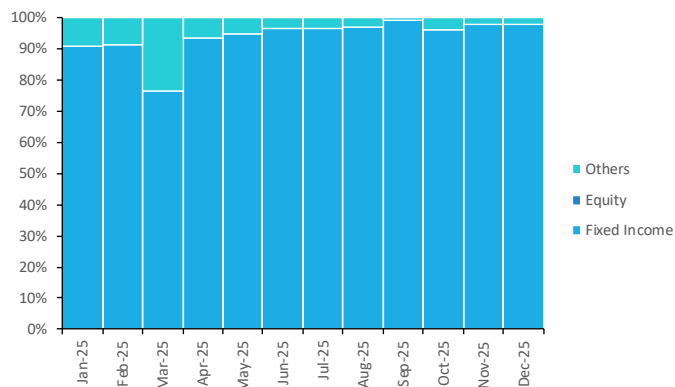
#### Country Allocations

(% of Portfolio)



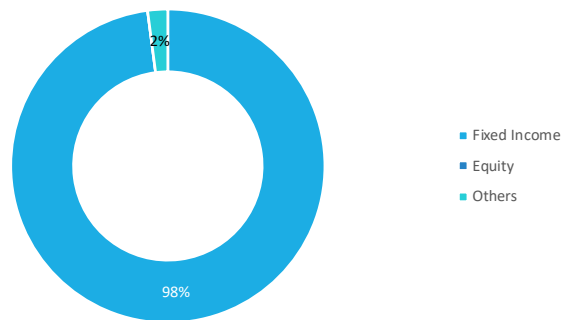
Source: Fund Administrator, ADCB

### Evolution of Asset Allocation (% of Portfolio)



Source: Fund Administrator, ADCB

### Asset Allocation (% of Portfolio)

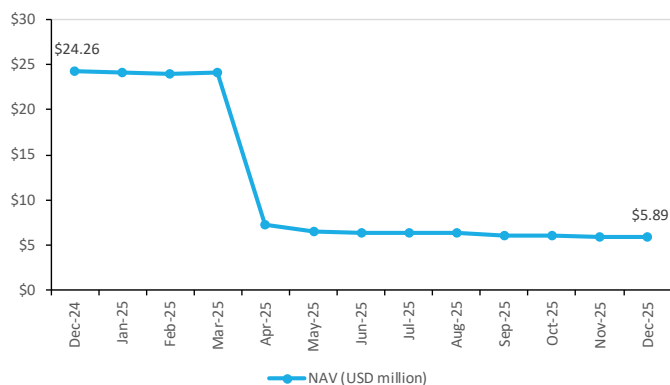


Source: Fund Administrator, ADCB

## 2.3 Sub-Fund Size

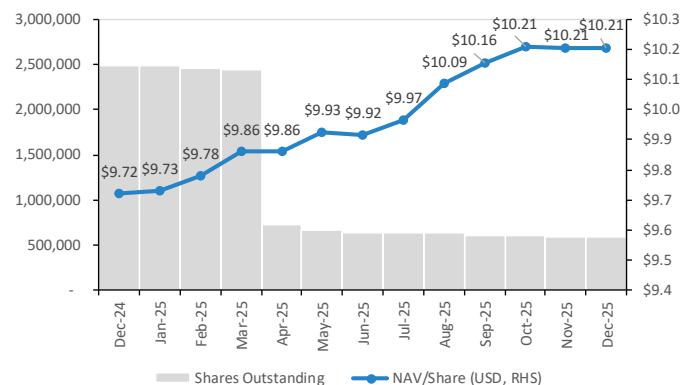
The sub-fund size declined from \$24.3 million to \$5.9 million by the end of December 2025, demonstrating a decline of -76% during the period, with the bulk concentrated in the month of April 2025. The net asset value per share on a fund level grew by 5.0% in 2025, reaching \$10.21 per share, net of expenses and adjusted for dividends.

### Evolution of Fund Size (USD million)



Source: Fund Administrator, ADCB

### Evolution of Net Asset Value per Share (USD, Number of Shares Outstanding)



Source: Fund Administrator, ADCB

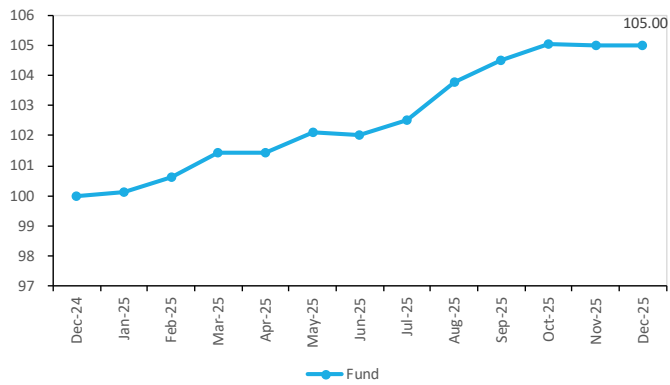
## 2.4 Sub-Fund Performance

During the period, the sub-fund generated a net return of 5.0% with an estimated annualized total expense ratio of approximately 2.2%. The sub-fund is actively managed and invests in global fixed income Shariah-compliant securities. The sub-fund is fully invested in fixed income securities, and performance has been influenced primarily by this asset class.

Furthermore, the sub-fund distributed \$0.1166 per share in dividends to unitholders during 2025.

## Fund Performance

(Rebased)



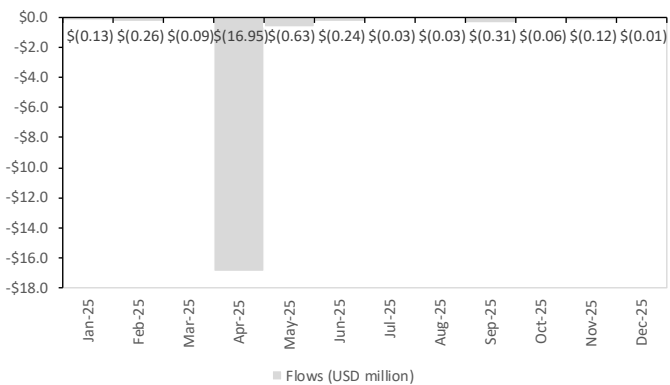
Source: Fund Administrator, ADCB

## 2.5 Sub-Fund Flows

The sub-fund experienced several outflows during the period, with a relatively large outflow taking place in March. The sub-fund was fully invested based on the intended target allocation, with a minor cash balance retained for the purpose of managing redemptions.

### Fund Flows

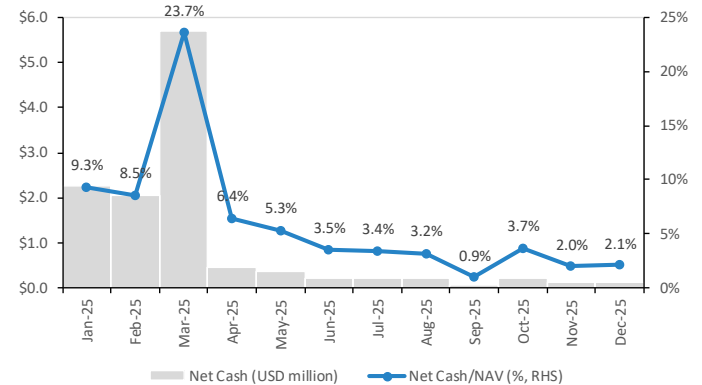
(USD million)



Source: Fund Administrator, ADCB

### Fund Net Cash Position

(USD million, % of NAV)



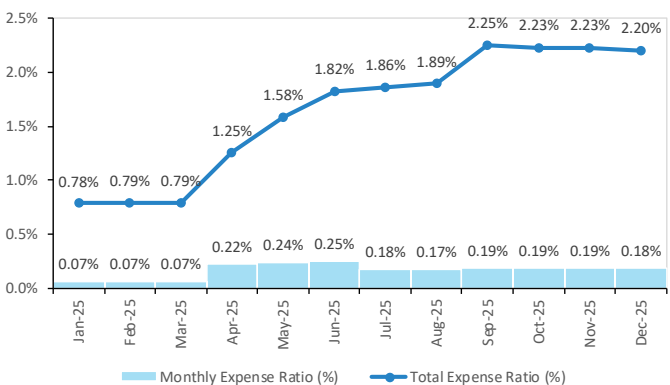
Source: Fund Administrator, ADCB

## 2.6 Sub-Fund Expense Ratio

The estimated sub-fund total expense ratio increased gradually to 2.2% by the end of December 2025 as a result of declining assets.

### Estimated Fund Total Expense Ratio

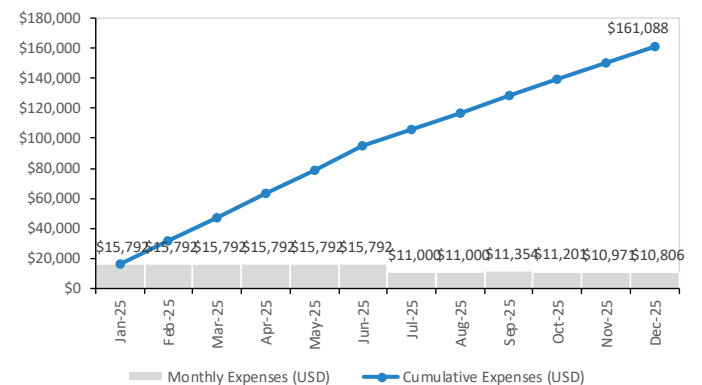
(% of NAV)



Source: Fund Administrator, ADCB

### Fund Monthly Expenses

(USD)



Source: Fund Administrator, ADCB

## 3. Market Analysis

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### 3.1 Market Overview

Global equities delivered strong gains in the second half of 2025, adding more than 10% and bringing full-year 2025 returns to roughly 20%, supported by resilient earnings, favorable macro sentiment and fading recession risks. Sector performance was similarly broad-based: materials, IT, communication services, and industrials were among the strongest contributors in both the second half of 2025 and full-year 2025, while consumer staples was the only sector to register negative returns in the second half of 2025.

Global bonds delivered a weak performance in the second half of 2025, weighed down by widening fiscal deficits and uncertainty around the timing of interest-rate cuts. Despite this soft patch, full-year 2025 returns were strong overall, driven largely by the robust gains recorded in the first half. Global Treasuries came under pressure in the second half of 2025 as rising debt levels and shifting policy expectations pushed yields higher. Across credit markets, Global HY and EM external debt were the standout performers for both 2025 and the second half of 2025, supported by investors' search for carry and signs of improving fundamentals. Within credit, Global HY outpaced Global IG, with EUR HY leading the pack due to its shorter-duration profile.

The broad commodity index posted strong performance in 2025, driven by the rally in precious and industrial metals. Precious metals dominated, with Silver and Gold delivering exceptional gains, supported by strong safe-haven demand, falling real yields, and heightened geopolitical risk. Copper also performed strongly, reflecting resilient industrial demand and ongoing supply constraints. Energy prices were a major drag with WTI crude and Brent crude declined, pointing to persistent oversupply and weaker global demand conditions.

### 3.2 Market Outlook

The global economy has entered 2026 on a steady, robust footing – with a growth rate strong enough to support risk assets. While we expect developed-market growth to soften slightly in H2'26, overall conditions remain resilient, broad, and supportive enough to justify a more risk-on stance. Inflation is likely to prove sticky in the near term, especially in the US, but the medium-term trajectory still points towards central bank targets.

At present, significant uncertainty surrounds US tariff policy, with recently announced rates retreating slightly but still at their highest levels since the late 1930s. Despite legal challenges, the Trump administration appears committed to its trade policy goals, particularly as it aligns these with fiscal planning. We expect uncertainty over trade and fiscal policy to weigh on the global market sentiment in the medium term.

Market pricing and policy commentary continue to point towards additional Fed easing in the second half of 2026, even though Fed might pause in its upcoming meetings. Fed funds futures still embed a path of gradual reductions, consistent with inflation drifting lower and growth remaining resilient rather than collapsing.

Elsewhere, we expect the European Central Bank to remain on hold for the foreseeable future. In the United Kingdom, weaker growth dynamics and improving inflation trends should allow the Bank of England to deliver up to three rate cuts, although the pace will remain data dependent. We continue to expect two rate hikes from the Bank of Japan, although the probability of fewer moves is rising.

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