ADCB PJSC

Asset Management

ADCB UAE Funds: ADCB Islamic Balanced Sub-Fund

Sub-Fund Performance Report

January to June 2025

ADCB PJSC
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1. Strategic Review

1.1 Sub-Fund Overview

The sub-fund's investment objective is to provide medium to long-term capital growth and a reasonable level of income by investing predominantly in Shariah-compliant open-ended funds and exchange traded funds listed on global markets. The sub-fund is actively managed, while the investment restrictions and strategies followed imply a characteristically moderate risk level. The Fund Manager develops, implements and monitors the strategic asset allocation targets while actively rebalancing the strategy to identify opportunities over the short to medium term. In identifying underlying funds and target weights, the Fund Manager considers both quantitative measures and qualitative factors.

As of the end of the first half of 2025, the sub-fund has, on a look-through basis, a 53% allocation to equity and 47% to fixed income funds, which reflects the strategic asset allocation determined by the Fund Manager. The underlying funds invest in growth and value stocks of companies, fixed income securities and a range of other securities and derivatives.

1.2 Factors Impacting Performance

The sub-fund is actively managed and invests in open-ended funds and exchange traded funds that invest in global equity and fixed income securities. The sub-fund is invested in funds listed in Ireland and Luxembourg. Furthermore, the sub-fund has an allocation of 53% allocation to equity and 47% to fixed income funds, which reflects the strategic asset allocation determined by the Fund Manager. Therefore, performance has been almost equally influenced by the performance of global equity and fixed income asset classes during the period.

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 second quarter. The sub-fund generated a net return of 3.1% year to date and paid out one dividend distributions during the period.

1.3 Sub-Fund Distributions

The sub-fund’s strategy aims to provide unitholders with medium to long-term capital growth and a reasonable level of income. Accordingly, the sub-fund declared and paid one dividend for the first half of 2025 out of profits generated during the year, in line with the Fund Manager’s intentions to pay dividends semi-annually.

The dividend amounted to $0.0938 per share and was paid to active unitholders of the Class A distributing share class at record date 23-Jun-25.

1.4 Adherence to Investment Guidelines

The sub-fund adhered to investment guidelines during the period, and there were no material 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 sub-fund during the period.

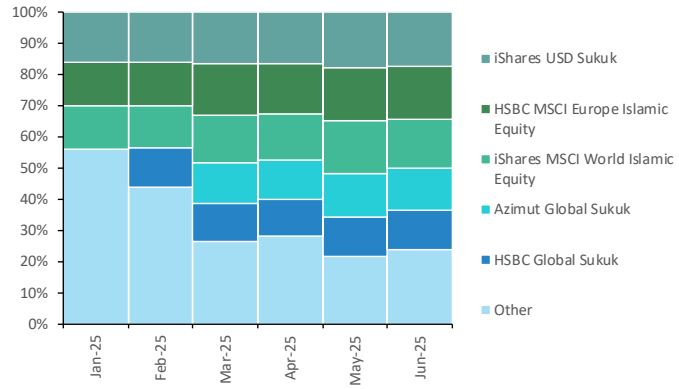
2. Sub-Fund Analysis

2.1 Sub-Fund Top Holdings

The sub-fund has an 53% allocation to equity and 47% to fixed income at present. Top holdings are principally comprised of 17% allocations to each of the iShares US Dollar Sukuk ETF and the HSBC MSCI Europe Islamic Equity fund, followed by a 16% allocation to the iShares MSCI World Islamic Equity ETF.

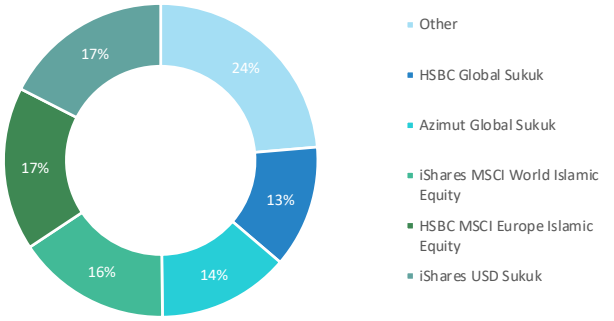
The Fund Manager follows a top-down approach in determining the appropriate target asset allocation, which is largely based on the analysis of global macroeconomic trends. This is followed by a bottom-up approach to selecting suitable securities and allocating risk. The investment process involves conducting the necessary due diligence on target funds and securities prior to capital deployment. The Fund Manager subsequently allocates risk to suitable securities depending on the adopted target asset allocation model. 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)

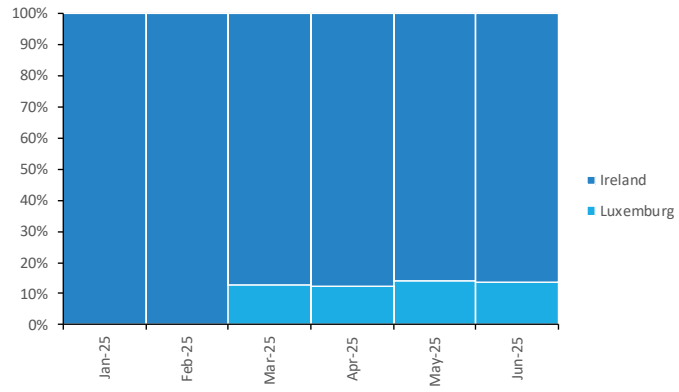


Source: Fund Administrator, ADCB

2.2 Sub-Fund Allocations

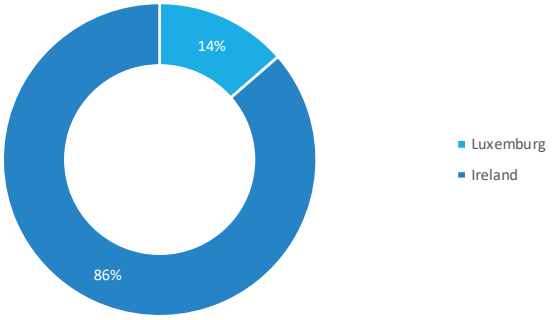
The sub-fund is actively managed and invests in open-ended funds and exchange traded funds that invest in global equity and fixed income securities, while target asset allocation is based the ADCB Asset Management global asset allocation approach. As of the end of the first half of 2025, the sub-fund is invested in securities listed in Ireland and Luxembourg. Since March 2025, the sub-fund has had on average a 55% allocation to equity and 45% to fixed income funds.

Evolution of Country Allocations
(% of Portfolio)



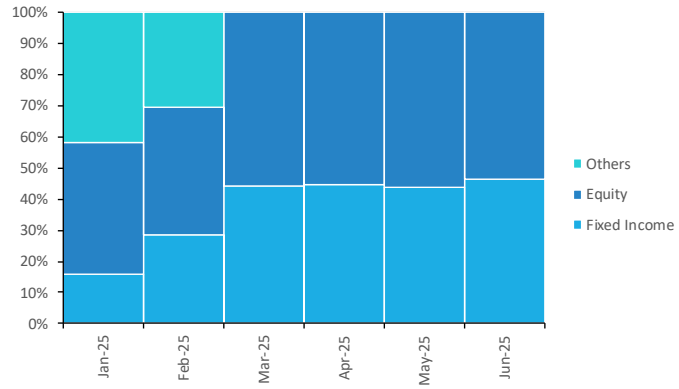
Source: Fund Administrator, ADCB

Country Allocations
(% of Portfolio)



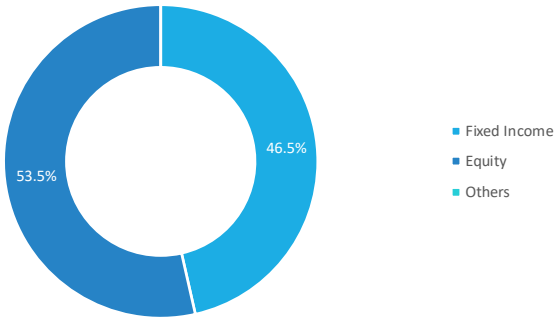
Source: Fund Administrator, ADCB

Evolution of Asset Allocation
(% of Portfolio)



Source: Fund Administrator, ADCB

Asset Allocation
(% of Portfolio)

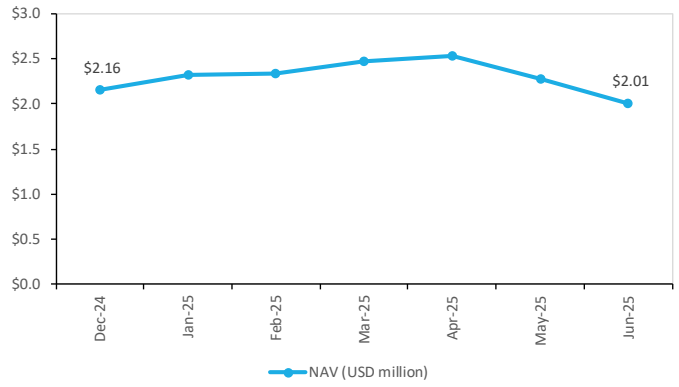


Source: Fund Administrator, ADCB

2.3 Sub-Fund Size

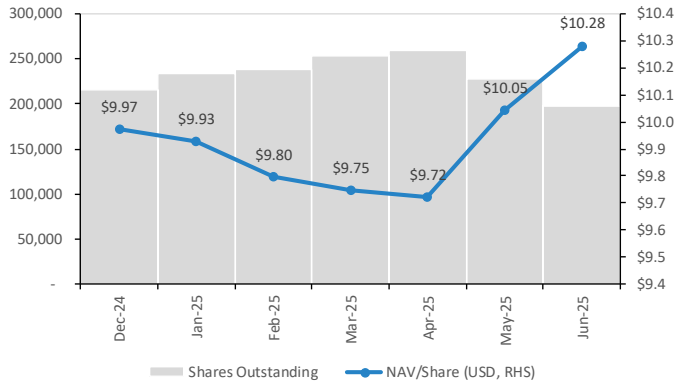
The sub-fund was launched in late 2024 and began deploying initial proceeds in early December 2024. Total size declined slightly from $2.2 million to $2.0 million by the end of June 2025, implying a reduction of -6.8% during the period. The net asset value per share on a sub-fund level grew by 3.1% year to date, reaching $10.28 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)



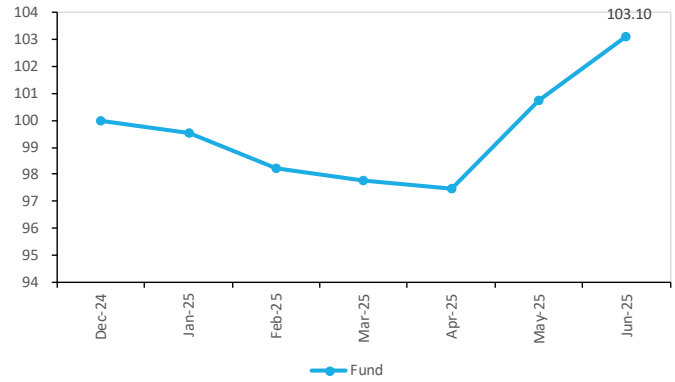
Source: Fund Administrator, ADCB

2.4 Sub-Fund Performance

During the period, the sub-fund generated a net return of 3.1% with an estimated annualized total expense ratio of 3.25%. The sub-fund is actively managed and invests in global equity and fixed income securities, while target asset allocation is based on the ADCB Asset Management global asset allocation approach. The sub-fund's asset allocation is somewhat tilted towards global equity while retaining a substantial allocation to fixed income funds. Consequently, performance has been influenced by that of both global equity and fixed income.

Furthermore, the sub-fund has distributed $0.0938 per share in dividends to unitholders of the Class A distributing share class during the first half of 2025.

Fund Performance
(Rebased)

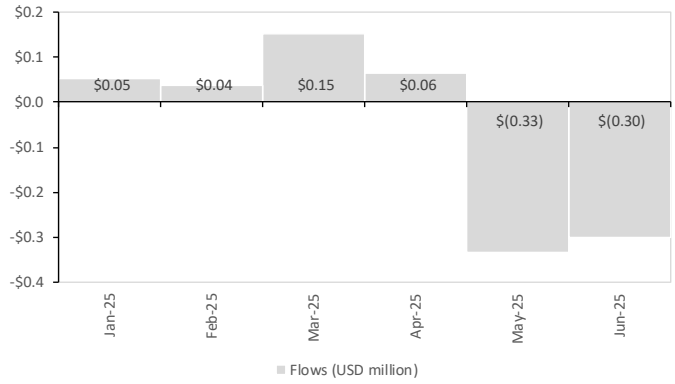


Source: Fund Administrator, ADCB

2.5 Sub-Fund Flows

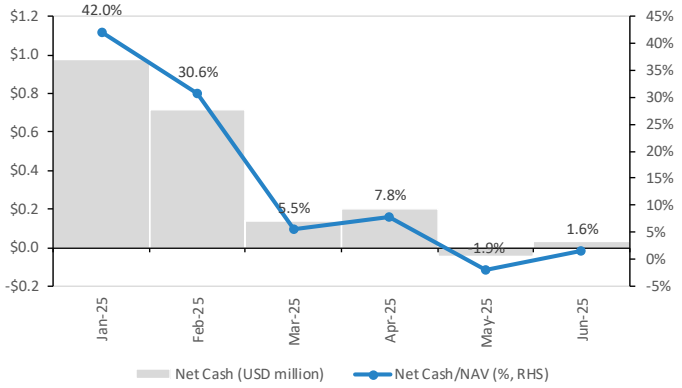
Inflows showed steady growth during the first half of 2025. The sub-fund was fully invested based on the intended asset allocation model, with a minor cash balance retained for the purpose of managing redemptions.

Fund Flows
(USD million)



Source: Fund Administrator, ADCB

Fund Net Cash Position
(USD million, % of NAV)

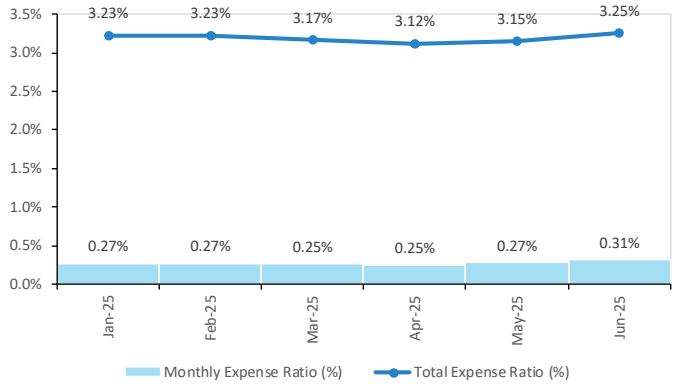


Source: Fund Administrator, ADCB

2.6 Sub-Fund Expense Ratio

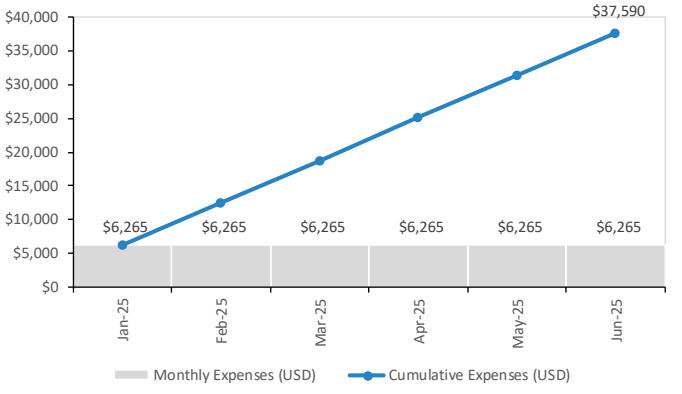
The estimated sub-fund total expense ratio is 3.25% at the end of June 2025, while we expect the ratio to decline by year end as a result of asset growth. The monthly expense ratio during the most recent month was 0.31%.

Estimated Fund Total Expense Ratio
(% of NAV)



Source: Fund Administrator, ADCB

Estimated Fund Monthly Expenses
(USD)



Source: Fund Administrator, ADCB

3. Market Analysis

3.1 Market Overview

Global equities posted strong gains in the first half of 2025, supported by resilient earnings, improving macro sentiment, and declining recession risks. The rally was broad-based, with both developed and emerging market equities advancing, with the latter outperforming on a relative basis. In terms of sectors, financials, communications and industrials led gains, while healthcare and consumer discretionary lagged. From a factor perspective, momentum and technology stocks outperformed.

Global bonds also performed well during the first half and were supported by peaking interest rates and moderating inflation expectations. Long-duration assets including inflation-linked bonds, global corporate credit and global treasuries performed notably well. Credit spreads tightened across both investment-grade and high-yield markets as investors rotated selectively into immediate duration bonds and credit. Additionally, emerging market local currency bonds US dollar-denominated sovereign bonds also performed well, helped by a weakening in the US dollar.

The commodity complex rose during the period, with performance led by precious and industrial metals. Gold, silver and platinum surged amid strong safe-haven demand, falling real yields, and broad US dollar weakness. Copper rose as green infrastructure and supply constraints supported prices, while energy prices were a major drag. Crude oil prices resumed a steady decline, reflecting weak global demand and ample supply.

3.2 Market Outlook

Inflation is showing encouraging signs of easing despite ongoing tariff uncertainty. Higher inventory ratios among US corporations, a cooling labor market and evidence of slowing consumer spending has helped cushion the short-term impact of tariffs. However, tariff risks could exert upward pressure on inflation in the second half. We anticipate that tariffs will dampen growth first before driving inflation higher, with price pressures are likely to intensify gradually rather than immediately.

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.

We maintain our view that tariffs contribute to weaker economic growth before they feed into heightened inflation. We believe the Federal Reserve will likely prioritize measures to address the slowdown. Therefore, we expect the Federal Reserve will cut the policy rate by 75 basis points over the course of 2025. Meanwhile, we believe the European Central Bank is approaching the end of its easing cycle, having already implemented eight rate cuts. As for the United Kingdom, downside risks to growth have increased recently even as wage growth and inflation remain somewhat elevated. Consequently, we anticipate further easing from the Bank of England in the near term. Finally, we see the Bank of Japan staying on hold for the rest of the year, and expect two rate hikes during 2026.

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