

# Principal Islamic Asset Management (Ireland) (PLC)

## Islamic Asia Pacific Dynamic Income & Growth Fund

I Class March 2024

### Market Review

MSCI AC Asia Pacific ex Japan Islamic Index returned 5.53% in US\$ terms in March mainly due to Hong Kong. The US 10-year bond yield remained at 4.2% while crude oil rose to US\$87/ barrel.

### Fund Review

In March, the Fund returned 1.44% in US\$ terms; Taiwan and Australia were contributors. Sector wise, IT and Energy were contributors.

### Portfolio Outlook and Strategy

#### Outlook

While China's policies have turned more stimulative with some green shoots (PMI and Spring festival tourism) emerging, we are mindful that its policies are a work-in-progress and efficacies remain to be seen. Many see the 5% GDP growth target for 2024 announced in the National People's Congress as a goal that is lacking details. In Asia, we are positive on the recovery of the technology hardware cycle in South Korea and Taiwan and broad-based growth in India. Risks: a) Global economic and interest rate trajectory b) Geopolitics: US-China tensions which can range from various sanctions, financial markets and military conflicts

The US Fed has gone from raising rates and tackling inflation in 2023 to calibrating how many rate cuts to implement from 2024-2025 onwards. This should be supportive for equities in terms of multiple expansion provided earnings do not disappoint significantly. In the US Fed's March projections, the median policy rate is expected to decline by 80bps to 4.6% in 2024 and a further 70bps to 3.9% in 2025. The magnitude of rate cuts would highly depend on the inflation and economic growth trajectory, whereby a soft landing is currently expected.

#### Strategy

We remain fully invested and well positioned in the areas of a) bottoming of the tech hardware cycle b) strong private sector confidence in India c) selected global names with resilient demand in the areas of consumption and technology. During the month, we added more positions in hardware equipment/ software in chipmaking, Singapore telecommunications company and a global pharmaceutical contract development and manufacturing organization (CDMO).

## 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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