

May Market Overview

May delivered another strong month for global markets, with global equities rising almost 4%. Returns were driven by a rally in US technology stocks, while Emerging Markets advanced an impressive 10%, led by semiconductor-heavy Asian economies such as Taiwan and South Korea. Strong corporate earnings remained the key support for markets, with S&P 500 companies delivering earnings growth of around 14% year-on-year, alongside continued enthusiasm surrounding Artificial Intelligence.

For Sharia investors, the month was particularly supportive as many of the market's strongest performers sat within sectors naturally represented in Islamic portfolios, including technology, semiconductors and digital infrastructure. Companies at the centre of the AI revolution continued to benefit from strong earnings momentum, while Asian technology leaders such as Samsung Electronics and SK Hynix delivered exceptional returns, which directly translated to Sharia portfolio outperformance.

Bond markets were more subdued. Government bonds came under pressure as tensions in the Middle East and disruption to shipping through the Strait of Hormuz raised concerns around inflation and energy prices. Corporate bonds performed more strongly, supported by resilient earnings and positive investor sentiment. While Sukuk markets remained relatively resilient, investor attention continued to focus on growth-oriented sectors and real assets.

Overall, May reinforced the importance of diversification. While AI remains a dominant market driver, the beneficiaries are beginning to broaden beyond a narrow group of mega-cap technology companies. This creates a healthier backdrop for Sharia portfolios, which maintain exposure across technology, emerging markets, precious metals and real assets rather than relying solely on a small number of market leaders.

Portfolio Positioning

There were no trades within the portfolios during May. Following the changes made earlier in the year, we remain comfortable with current positioning and continue to believe it is well aligned with both the macroeconomic environment and the long-term themes driving returns. However, further diversifying the portfolios remains a key focus for the team, with many exciting opportunities under consideration.

The portfolios maintain meaningful exposure to high-quality global equities, with particular strength in technology, digital infrastructure and emerging markets. Natural exclusions from conventional banking, excessive leverage and other non-compliant sectors continue to shape the opportunity

set, resulting in portfolios that remain focused on quality businesses with strong balance sheets and durable growth characteristics.

Precious metals continue to play an important role across the range. While both gold and silver have experienced increased volatility in recent months, we continue to view them as attractive diversifiers within a Sharia framework. Silver remains particularly interesting given its dual role as both a monetary metal and a critical component within solar power, electrification and next-generation infrastructure. However, sentiment towards precious metals has weakened in recent weeks and performance has moderated, though we remain confident in the long-term investment case.

Looking ahead, we are currently undertaking research on several new opportunities that may be introduced later this summer. These include strategies designed to further enhance diversification while maintaining strict adherence to our Sharia screening framework and long-term investment philosophy. We are excited by the breadth of styles and exposures which are being launched within the Sharia compliant space, with Infrastructure and Short-dated Sukuk both on our shortlist to be added to the portfolios.

Outlook

The AI-driven rally remains well supported by strong corporate earnings and investor demand. However, equity markets have risen sharply. Given the scale of recent gains, some periods of volatility would not be surprising as investors look to lock in profits and reassess valuations. Encouragingly, we are beginning to see signs that market leadership is broadening beyond a narrow group of technology stocks into areas such as emerging markets, industrial businesses and more value-oriented opportunities.

While investors currently appear comfortable looking through tensions in the Middle East, disruption to global energy markets remains a meaningful risk. Any prolonged restrictions to shipping routes or sustained increases in oil prices would likely place upward pressure on inflation while weighing on economic growth. As a result, inflation, employment and consumer confidence data will remain important market drivers over the coming months.

Against this backdrop, we remain constructive on risk assets but mindful of a world that appears increasingly fragmented. We continue to believe that precious metals, commodities and real assets have an important role to play in portfolios, particularly if inflation proves more persistent than markets currently expect. For Sharia investors, these assets offer diversification benefits alongside protection against the long-term debasement of fiat currencies and the economic consequences of deglobalisation. While short-

term volatility should be expected, we remain optimistic on the opportunities available across global equities and believe the portfolios remain well positioned for a range of market outcomes.



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