

# Rasmala Long Income Fund

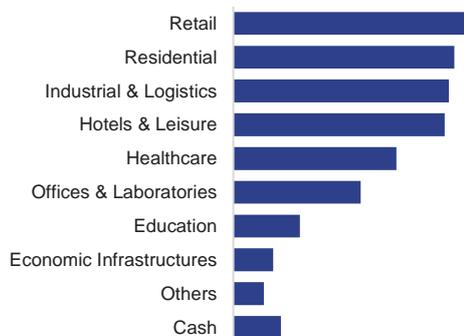


August 2021

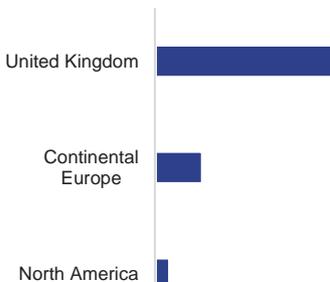
## Investment Objective

The Fund aims to generate secure income and some capital growth by investing into a diversified portfolio of long income Real Estate, Social and Infrastructure assets primarily located in the United Kingdom. The Fund invests in listed Real Estate and Infrastructure Funds, Open Ended Funds as well as Direct Investments. Income and realized capital gains are distributed on a monthly basis.

## Sector Allocation



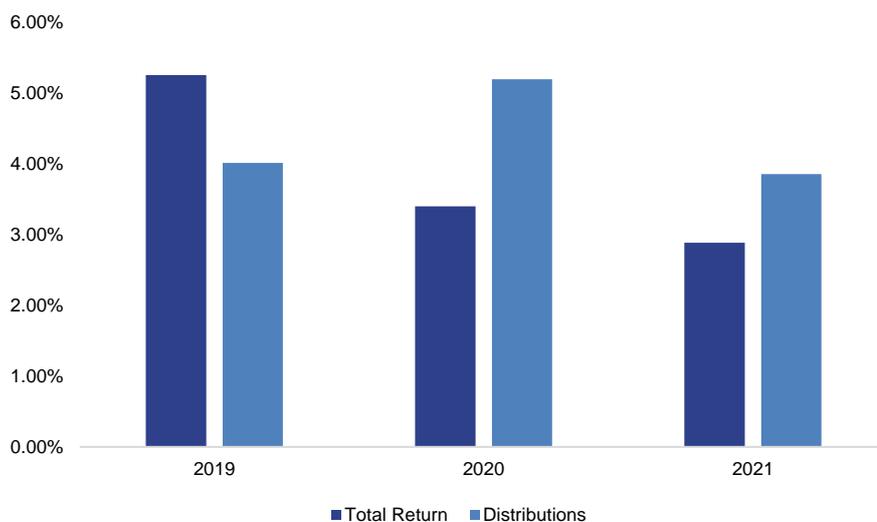
## Geographical Allocation



## Fund Information

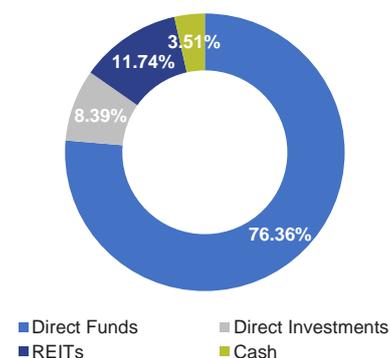
Asset Type	Real Estate
Fund Currency	United States Dollars
Net Asset Value	USD 267 million
Domicile	Cayman Islands
Investment Manager	Rasmala Investment Bank Limited
Portfolio Manager	Ruggiero Lomonaco
Administrator	Apex Fund Services Ltd.
Auditor	PricewaterhouseCoopers
Legal Advisors	Maples & Calder LLP
Sharia Advisor	Dar Al Sharia Limited
Inception Date	18 December 2018
Structure	Open-Ended
Subscription Frequency	Daily
Redemption Frequency	Monthly
Dividend Frequency	Monthly
Redemption Notice Period	5 Days
WAULT (years)	54.67

## Performance



(\* Starting from January 2021 the Fund changed the ex-dividend date from the first to the last business day of the month. In respect of the month of January this change has resulted in two dividends being declared for the month, which has altered the distribution yield reported in the performance chart.

## Portfolio Composition



## Cumulative Net Performance (%)

	Total Return	Distributions
2019	5.25	4.01
2020	3.40	5.19
2021	2.88	3.85

Please note: Performance is net of fees and expenses based on the Rasmala Long Income Fund A USD Income share class which was launched on 3<sup>rd</sup> March 2019. Past performance should not be taken as an indication or guarantee of future performance and Rasmala makes no representation or warranty, express, implied or otherwise, regarding future performance.

## Portfolio Manager Commentary

The Fund delivered a return of 0.69% during the month of August which takes the total return for the year to 2.88%; current distribution yield is 5.18% per annum, based on the closing unit price.

The UK economy has recovered all the losses registered during the pandemic and has seen encouraging growth levels of 3% per annum on the back of fiscal and monetary stimulus injected over the past 18 months. The recovery is however uneven, with the international travel and hotel sectors still lagging due to the cautious reopening of borders.

At the same time, bottlenecks are emerging in various areas of the economy, manifesting as labour shortages in the hospitality, retail and transport industries, or as issues in the supply of energy. The Consumer Price Index (CPI) has increased by 1.2% during the month of August, the largest ever recorded increase since 1997, taking the annual rate of inflation to 3.2%. An inflationary environment bodes well for long income assets with inflation-linked leases poised to generate a higher level of income as rents are reset to the current level of CPI.

The Fund is well positioned to capture this positive momentum with most of its portfolio invested in long income assets with leases indexed to inflation.

The exposure to the **Retail sector** consists mainly of **Supermarkets** with long leases to national operators. Supermarkets have emerged as one of the favourite asset classes for long income investors as operators have successfully implemented their online sales channels on the existing stores, confirming the essential nature of the properties.

The exposure to the **Residential sector**, consisting primarily of Residential Ground Rents. Since inception, the Residential strategy has delivered consistent positive returns and has proven its resilience during the most difficult months of the pandemic, with income collected in full and on time, and capital values holding well. However, the UK Government has announced changes to the regulation of Residential Ground Rents which have reduced the attractiveness of the sector. Although these changes are not expected to come into force until the 2022/2023 parliamentary term, the Fund has started a process of diversification into other areas of the UK Residential market like Social and Affordable Housing which also offer the possibility of generating long income with inflation linkages.

The exposure to **Industrial and Logistics assets** consists entirely of indirect investments in Funds and REITs. All valuations received to date point to a strong performance of Logistics assets during the second quarter of the year, with increases of capital values caused by both rental growth and yield compression which, for the highest quality assets, are approaching 3%. Given the low yield environment, future capital growth of standing assets will come primarily from rental growth, underpinned by a shortage of properties to meet the ever-increasing demand. In such a scenario, it has become difficult to acquire standing assets with long income given the elevated valuations and the limited ability to increase rents in line with the underlying growth of the market.

The exposure to properties classified under the **Hotels & Leisure** bucket comprises 22 indirect investments in family holiday parks and limited hotel services which meet Shariah-compliant criteria. The WAULT of this sector is over 95 years as several assets consist of commercial ground rents with residual lives of up to 250 years. The decline of values experienced by some of the assets in this bucket is yet to be reversed. However, as the UK economy progressively reopens and domestic travel recovers, those tenants who requested assistance during the last few months are now expected to start paying rent on regularly basis. A return to normality of the sector should also lead to a partial recovery of capital values justifying an overweight allocation to capture the above average returns which should materialize over the next 12-18 months.

The **Healthcare** exposure of the Fund consists primarily of Care Homes and NHS GP Surgeries (primary healthcare centers) with a blended WAULT in excess of 24 years. Whilst leases of Care Homes are typically linked to inflation, the leases of NHS GP Surgeries are revised based on the average construction costs of new surgeries which are increasing because of cost inflation and shortage of raw materials. To capture the potential upside of the Healthcare sector the Fund is gradually increasing its exposure to REITs specialized in NHS GP Surgeries who also have the capabilities to develop their own assets and, therefore, exceed the growth linked to inflation.

The Fund maintains a cautious exposure to the **Office & Laboratory** sector. Although quality office buildings with long income have performed relatively well during the pandemic, there is increasing uncertainty about the future level of occupancy of traditional offices because of the progressive adoption of flexible working practices. Furthermore, many properties are facing the possibility of a valuation cliff as energy standards become tighter. Offices are one of the main producers of greenhouse emissions and may require expensive retrofitting to meet progressively higher energy efficiency standards introduced as a result of the implementation of the Paris Accord. This uncertainty, coupled with the difficulty of finding quality long income assets, means that the allocation to this sector will gradually decline in the future and tilt towards alternative sub-sectors like Life Sciences.

The exposure to **Economic Infrastructure** consists primarily of indirect investments in Data Centers, but also includes investments in the Renewable Energy and Sustainable Transportation sectors. The Fund invests in assets with secure long income backed by reliable counterparties, which display little correlation to changes in aggregated demand. In particular, the focus of the Fund is on sectors which benefit from positive megatrends like Digital Transformation, transition to Renewable Energy and the rise of Sustainable Urbanization.

The exposure to the **Education sector** comprises an indirect investment in a school in Oslo benefiting from a long lease to the municipality as well as investments in several UK nurseries on long leases to private operators. To date, it has been challenging to achieve exposure to the Student Housing sector because most of the properties available in the UK are on short term leases and there is a dearth of investable opportunities in Continental Europe. Conversely, the USA offers more long income investment opportunities with several Universities interested to take long leases in respect of outdated Student Halls and other campus buildings requiring modernization.

## Liquidity and redemption facility

The Fund currently operates under its normal daily dealing cycle, subject to the statutory cap on maximum redemptions equal to 10% of NAV.

Redemption requests are subject to a dilution adjustment which will remain in force until the Liquidity Buffer of the Fund remains below 10% of NAV.

The Directors of the Fund have approved a mechanism

Shareholders requiring further assistance are advised to contact our Client Services Team at +971 4 424 2700 or by email at [clientservice@rasmala.com](mailto:clientservice@rasmala.com)

to accommodate the requirements of investors who wish to redeem without the application of the dilution adjustment.

In order to qualify for this facility, investors need to expressly request the investment manager to be added to a monthly queue prior to submitting a redemption request with the administrator.

Following the formation of the queue, the Fund will proceed to an orderly liquidation of the redemption requests over an extended period of time without application of the dilution adjustment.

## Subscription Information and Key Performance Indicators for Additional Share Classes (%)

Share Class	Price /Share 31/8/2021	1 Month	YTD	Since Inception	Inception Date	Entry Charge	Deferred Sales Charges	ISIN Number
A USD Inc	97.23	0.69	3.22	10.83	05/03/2019	Up to 5%	0%	KYG7387W1188
A USD Acc	112.89	0.68	3.21	12.89	17/12/2018	Up to 5%	0%	KYG7387W1006
A GBP Inc	98.56	0.67	3.29	10.28	19/02/2019	Up to 5%	0%	KYG7387W2178
A EUR Inc	99.09	0.69	3.09	8.19	12/02/2019	Up to 5%	0%	KYG7387W1915
M USD Acc	108.05	0.60	2.57	8.07	09/04/2019	0%	3%	KYG7387W1428
M USD Inc	94.56	0.59	2.51	7.98	26/02/2019	0%	3%	KYG7387W1758
M EUR Inc	95.98	0.59	2.36	4.96	05/03/2019	0%	3%	KYG7387W3325
M GBP Inc	95.48	0.58	2.57	7.05	05/03/2019	0%	3%	KYG7387W3242
S USD Inc	94.87	0.68	2.46	8.29	12/02/2019	0%	2%	KYG7387W1592

Please note: The management fees for all the above mentioned share classes is 1% per annum. For investors subscribing in the shares via Commercial Bank of Dubai and Dubai Islamic Bank, the minimum subscription is AED 1,000,000. Deferred Sales Charges are paid upfront but capitalized in the NAV and amortized daily over a period of 2 years for Class "S" shares and over a period of 3 years for Class "M" Shares. A deduction equal to the un-amortized portion of the deferred sales charge is deducted from redemption proceeds in case of redemption prior to the end of the amortization period. Kindly refer to the PPM, to know more on the fees charged. The Fund publishes daily dealing prices at which shares can be subscribed and redeemed. Dealing prices can be higher or lower than IFRS NAV published within the annual audited report.

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The dealing price published by the Fund can be higher or lower than the IFRS NAV of the Fund because of the effect of a Dilution Adjustment which reflects the net cost of acquiring or selling the underlying assets of the Fund. Investors should be aware that during the month the dealing price can swing up or down by effect of subscriptions or redemptions in the Fund. The likelihood of a downward swing is higher when the Fund runs a low liquidity buffer.