SHARIAH BASED INVESTMENTS

Quite a lot in our Muslim community are not investing into the capital markets considering the aspects of halal. They can now channelise even their small savings to the most efficient manner.

Investing in funds complying the Shariah norms i.e. the Islamic canonical law, would sounds to be a better idea than keeping funds unutilised.

Particularly the youth who have just started to earn would be recommended to start saving in this more acceptable means.

This is an endeavor to encourage savings in the capital market to gain financial growth & to mobilize the idle funds and this would certainly be better than holding cash.

Firstly, I would take you to rejuvenate through the basis of Mutual Fund and subsequently, into the topic of Shariah based funds that are run in India.

The various parts of this slide are:-

a. *Mutual fund*
b. *Fundamentals of Shariah Investing*
c. *S&P CNX 500 Shariah and S&P CNX Nifty Shariah*
d. *Taurus Ethical fund (Shariah based Indian Mutual Fund)*
e. *Market Wrap*

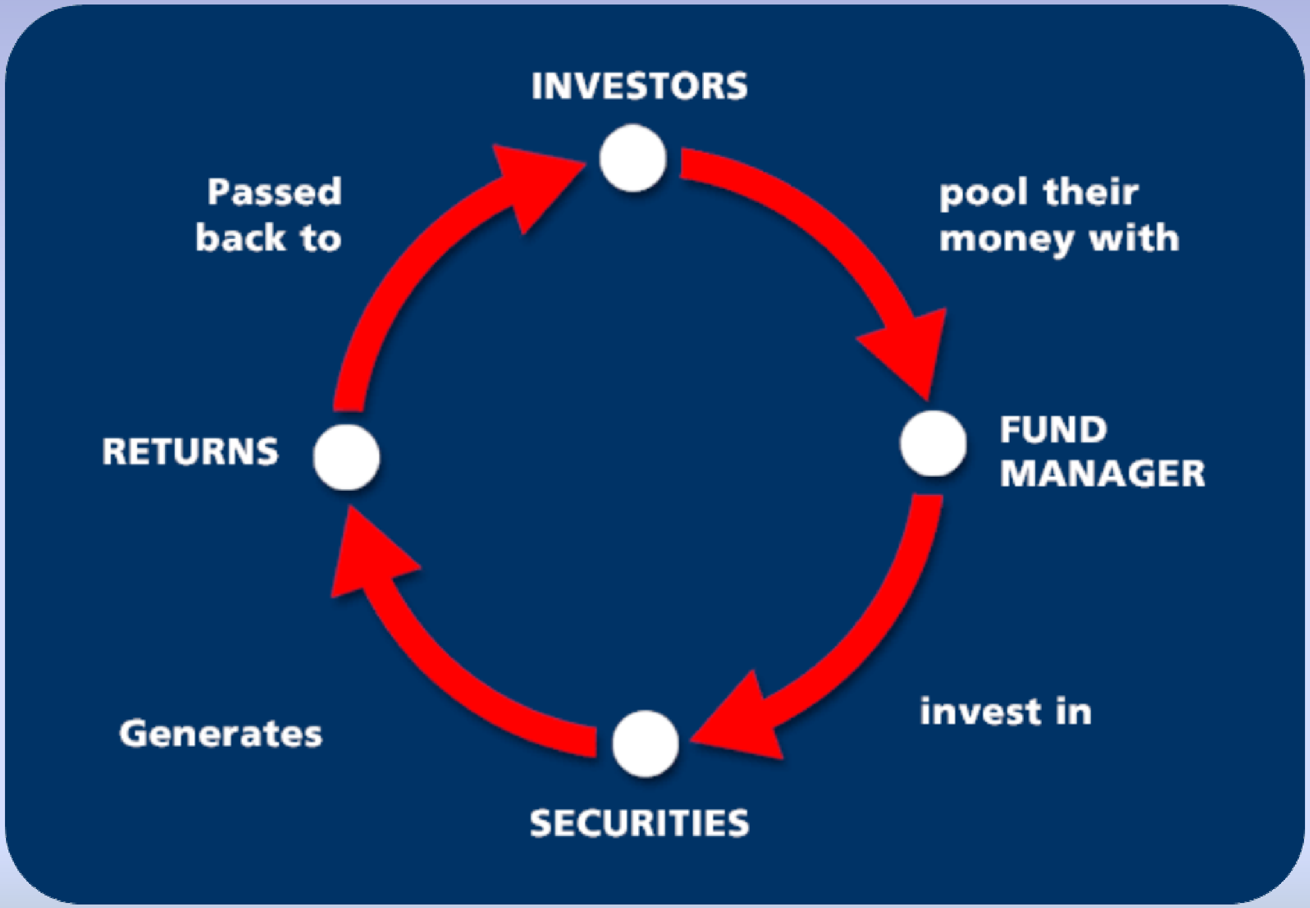
PART - I

MUTUAL *FUND*

- Concept
- Advantages of Mutual Funds
- Types of Mutual Fund Schemes
- Frequently Used Terms


Concept of Mutual Fund
Many investors with common financial objectives pool their money
Investors, on a proportionate basis, get mutual fund units for the sum contributed to the pool
The money collected from investors is invested into shares, debentures and other securities by the fund manager
The fund manager realizes gains or losses, and collects dividend or interest income
Any capital gains or losses from such investments are passed on to the investors in proportion of the number of units held by them

Mutual Fund Operation Flow Chart



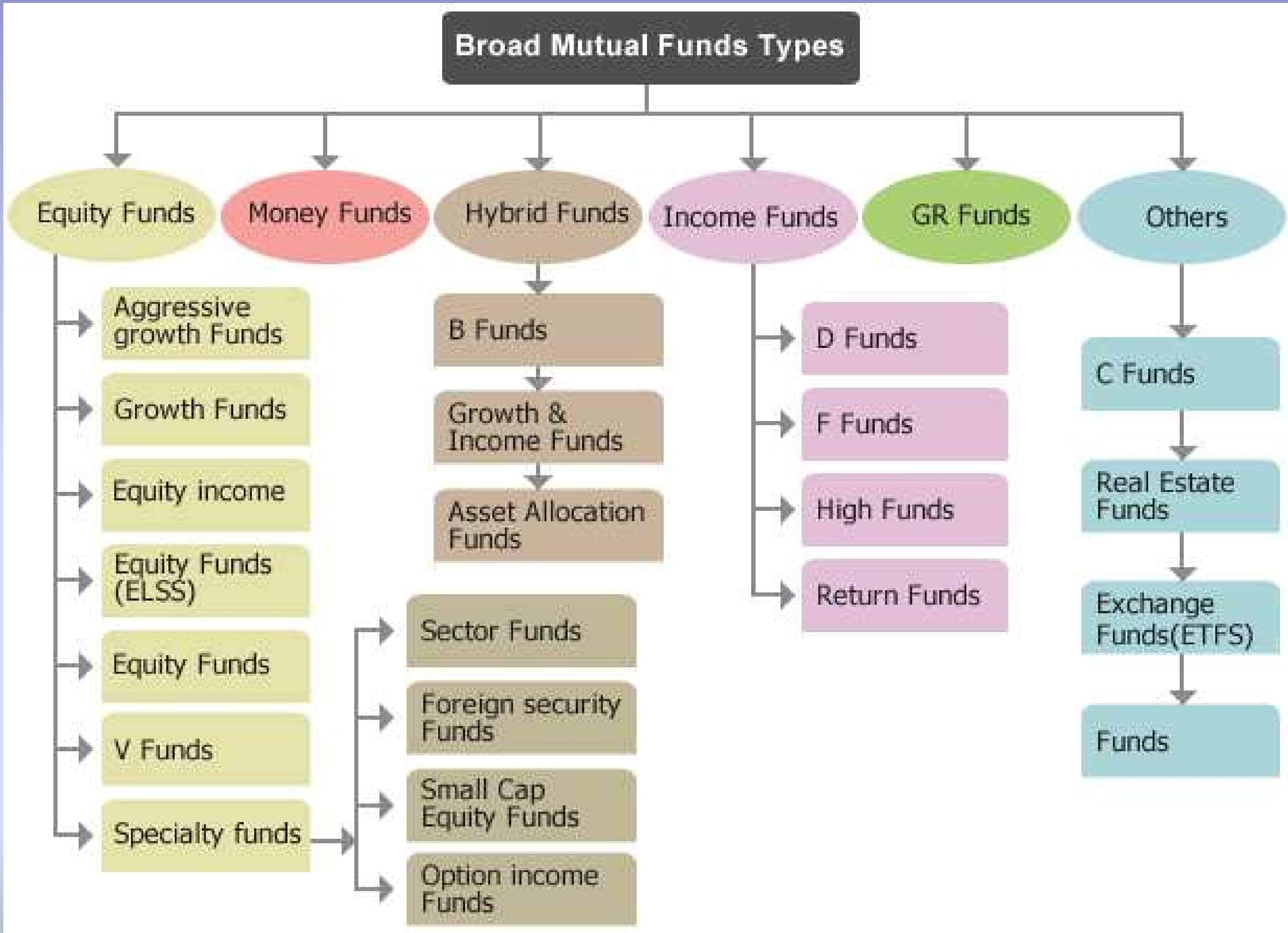
Advantages of Mutual Funds

- ✓ *Professional Management*
- ✓ *Diversification*
- ✓ *Convenient Administration*
- ✓ *Return Potential*
- ✓ *Low Costs*
- ✓ *Liquidity*
- ✓ *Transparency*
- ✓ *Flexibility*
- ✓ *Choice of schemes*
- ✓ *Tax benefits*
- ✓ *Well regulated*

Types of Mutual Fund Schemes

There are wide variety of Mutual Fund Schemes to cater to the needs such as financial position, risk tolerance and return expectations etc. An overview into the existing types of schemes in the Industry.

- By Structure
  - Open Ended Schemes
  - Close Ended Schemes
- By Investment Objectives
  - Growth Schemes
  - Income Schemes
  - Balance Schemes
  - Money Market Schemes
- Other Schemes
  - Tax Saving Schemes
- Special Schemes
  - Index Schemes
  - Sector Specific Schemes


Broad Mutual Funds Types
Equity Funds
Money Funds
Hybrid Funds
Income Funds
GR Funds
Others
Aggressive growth Funds
Growth Funds
Equity income
Equity Funds (ELSS)
Equity Funds
V Funds
Specialty funds
B Funds
Growth & Income Funds
Asset Allocation Funds
Sector Funds
Foreign security Funds
Small Cap Equity Funds
Option income Funds
D Funds
F Funds
High Funds
Return Funds
C Funds
Real Estate Funds
Exchange Funds(ETFS)
Funds

Frequently Used Terms

- **Net Asset Value (NAV)**
  Net Asset Value = (market value of assets - liabilities).
  The per unit NAV is the net asset value of the scheme divided by the number of units outstanding on the Valuation Date.

- **Sale Price**
  Is the price you pay when you invest in a scheme. Also called Offer Price. It may include a sales load.

- **Redemption Price**
  Is the price at which open-ended schemes repurchase their units and close-ended schemes redeem (sold) their units on maturity. Such prices are NAV related.

- **Sales Load**
  Is a charge collected by a scheme when it sells the units. Also called, ‘Front-end’ load. Schemes that do not charge a load are called ‘No Load’ schemes.

- **Repurchase or ‘Back-end’ Load**
  Is a charge collected by a scheme when it buys back the units from the unit holders.

PART - II

Fundamentals of Shariah Investing

Fundamentals of Shariah Investing

Shariah or Shariat based investments are guided by the Islamic investment philosophy which invests in companies based on certain screening norms:-

Fundamental principles

- Justice
- Transparency
- Common interest
- Encouragement of profit and loss sharing
- Public need or necessity

Prohibition

- Riba (Interest)
- Gharar (deceive, cheat)
- Maysir (gambling)
- Prohibited sectors
- Conditionality

Sectors Prohibited

- Pork
- Alcohol
- Gambling
- Financials
- Advertising and Media (newspapers are allowed, sub-industries are analyzed individually)
- Pornography
- Tobacco
- Trading of gold and silver as cash on deferred basis etc.

S&P CNX 500 Shariah
and
S&P CNX Nifty Shariah

In 2006, Standard & Poor's introduced the S&P Shariah Indices. Shariah is Islamic canonical law, which observant Muslims adhere to in their daily lives.

Standard & Poor's and India Index Services & Products Ltd. (IISL) have partnered to bring two major Shariah indices to the Indian market. Shariah screens have been applied to two headline indices – the S&P CNX 500 and the S&P CNX Nifty. The results are the S&P CNX 500 Shariah and the S&P CNX Nifty Shariah.

<u>Shariah Screening</u>

Standard & Poor's has contracted with Ratings Intelligence Partners (RI) to provide the Shariah screens and filter the stocks based on these screens. Ratings Intelligence Partners is a London/Kuwait-based consulting company specializing in solutions for the global Islamic investment market. Its team consists of qualified Islamic researchers who work directly with a Shariah Supervisory Board. It is continually working with regional banks to create Shariah-compliant equity products and expand investment offerings.

Index Eligibility

The stocks are, first, constituents of the underlying indices. They are, then, screened for Shariah compliance. Only those stocks that are compliant remain in the Shariah compliant indices.

Timing of Changes

In general, additions are made to the Shariah indices once a month, typically the third Friday of the month, after the addition to the underlying index, if the stock is found compliant by the Shariah board. Index deletions may also occur at that time, if a constituent is deemed no longer compliant by the Shariah board. Other deletions may occur during the month if a stock is being deleted from the underlying index. Such deletions will occur at the same time as the deletion from the parent index.

Additions

Once an announcement is made of the impending addition to an underlying index, RI will screen it for compliance. If the stock is found to be compliant, after approval by the Shariah board, it will be added to the respective Shariah index. RI will also regularly monitor the existing non-compliant stocks of the underlying index. If any of these stocks become compliant because of changes in financial ratios or changes in business activity due to mergers or restructuring, it will be added to the Shariah index with due notice to clients.

Deletions

All deletions from the parent index will be deleted from the Shariah compliant index on the same day. RI will also conduct an ongoing review of existing Shariah index constituents for continued inclusion in the relevant index.

Additions and deletions to the index, which occur due to ongoing reviews and changes in compliance, are done on the third Friday of each month with due advance notice to clients.

Ratings Intelligence Partners (RI) works with a **Shariah Supervisory Board**, which is a board of Islamic scholars serving to interpret business issues and recommend actions related to business decisions for the indices. The **Shariah Supervisory Board members** are:

1. **Dr. Muhammad Ali Elgari**
   PhD in Economics from the University of California, U.S.A.

2. **Dr. Abdul Sattar Abu Ghuddah**
   PhD in Islamic Law from Al Azhar University, Cairo, Egypt.

3. **Dr. Nazih Hammad**
   PhD in Islamic Law from the University of Cairo, Egypt.

4. **Dr. Mohammad Amin Ali-Qattan**
   PhD in Islamic Banking, University of Birmingham, United Kingdom.

Member wise details are given in the subsequent slides.

& Their data can be obtained at:-

http://www.ratingsintelligence.com/shariah-control-committee.html

1. Dr. Muhammad Ali El-Gari. (Saudi Arabia, Chairman)

- PhD in Economics from the University of California, California, United States.
- Professor of Islamic Economics, King Abdul Aziz University, Jeddah, Saudi Arabia.
- Former Director, Centre for Research in Islamic Economics, King Abdulaziz University.
- Member, Academic Committee, Islamic Development Bank, Jeddah.
- Member of Islamic Fiqh1 Academy, Jeddah.
- Editor, Review of Islamic Economics, London (Journal of the International Association of Islamic Economics).
- Shariah board member for National Commercial Bank (Saudi Arabia), Citi Islamic Investment Bank (Saudi Arabia), Saudi American Bank, Saudi British Bank and Dow Jones Islamic Index (United States).

2. Dr. Abdul Sattar Abu Ghuddah. (Syria)

- Holds Licenses in Islamic Law from Damascus University, Syria.
- PhD in Islamic Law from Al Azhar University, Cairo, Egypt.
- MSc in Islamic Law and Hadith.
- Shariah advisor of several Islamic financial, banking and governmental institutions.
- Advisor for Islamic Law Encyclopedia (Kuwait Awqaf Ministry).
- Shariah board member for Al-Baraka Islamic Investment Co (Saudi Arabia), Dow Jones Islamic Index (United States), Al-Tawfeek Co (Saudi Arabia) and SAMBA (Riyadh).

3. Dr. Nazih Hammad. (Canada)

- PhD in Islamic Law from the University of Cairo, Egypt.
- Former Professor at the college of Shariah, Um Alqura University, Makkah Al Mukkarmah for 17 years.
- Member of the Islamic Fiqh1 Academy, Jeddah, Saudi Arabia (Organization of Islamic Countries).
- Graduate of the University of Damascus, Syria.
- Shariah board member for Citi Islamic Investment Bank (Bahrain), Permal Asset Management (United States).

4. Dr. Mohammad Amin Ali Qattan. (Syria, Shariah Expert)

- PhD in Islamic Banking from Birmingham University, UK and BA in Islamic Economics from Saudi Arabia.
- Director of the Islamic Economics Unit, College of Business Administration, Kuwait University.
- Faculty member at the American University of Cairo in 2006, Lecturer at the College of Trading Studies in Kuwait.
- Author and presenter of many articles and books in Islamic Economics, accredited trainer in the Islamic business field by many institutions inside and outside Kuwait.
- Member of Shari‘a Control Committees in many Islamic financial firms in Kuwait, USA, London, Geneva, Kenya and Bahrain.

Shariah Funds – International Landscape

- Islamic Banking is present in 75 countries
- Most prominent Banks and Stock Exchanges worldwide have a Shariah Board
- There are numerous actively managed Shariah Funds across the globe. Most global exchanges have Shariah indices.

As of now, there are two funds that would be recommend for investment:-

1. Tata Select Equity Fund

(Does not claim itself to be Shariah compliant fund but the investment companies all match with the Shariah norms)

2. Taurus Ethical Fund

(Uses S&P CNX 500 Shariah Index as the Benchmark Index)

The rest of the presentation would take you through the details of the Taurus Ethical Fund.

PART - IV

Taurus Ethical Fund

(Mutual Fund)

Taurus Mutual Funds

Trustee: Taurus Investment Trust Comp. Ltd.

Investment Manager: Taurus Asset Management Comp. Ltd.

Taurus Ethical Fund

TAURUS Mutual Fund

Taurus Ethical Fund is an Open Ended Equity Oriented Scheme that will invest in Companies which are in compliance with the Shariah norms. The scheme will primarily invest in Equity and Equity related instruments.

Investment Objective:

The Fund seeks growth of capital in accordance with Islamic principles. The investment objective of the Scheme is to provide investors long-term capital appreciation and growth through investments in Equity and Equity related instruments which are Shariah compliant. The investment strategy will aim to diversify the portfolio by investing in various companies across sectors and themes to maximize returns and control risk.

Salient Features of Taurus Ethical Fund

- **First** Actively Managed Shariah Compliant Fund in India
- Inception Date : **6th April 2009**
- Uses **S&P CNX 500 Shariah** Index as the Benchmark Index
- Invests only in **listed Indian Stocks** from the **Shariah Compliant** stocks in S&P CNX 500 universe
- **Socially responsible** way of investing in the capital markets

Taurus Shariah Screening Criteria

TAURUS Mutual Fund

Primary filter Sector Based (excluded industries)	Banks and NBFCs
	Breweries, Distilleries, Alcohol related chemicals
	Adult Entertainment, Gambling
	Advertising & Media (newspapers are allowed)
	Tobacco and related business, chewing pan masala
	Trading of gold & silver as cash on deferred basis
	Pork & related business
Secondary filter Accounting Based Screens (included)	**Leverage Compliance** Debt/Market Value of Equity (12 months avg) <33%
	Cash Compliance Accounts Receivables/Market Value of Equity (12 months avg)
	Revenue Share from Non-Compliant Activities (Non-Permissible Income other than Interest Income)/Revenue <5%

Taurus Ethical Fund- portfolio as on 31st Dec 2009

TAURUS Mutual Fund

Sr. No.	Industry Name	% of Net Assets
1.	SOFTWARE	19.06
2.	PHARMACEUTICALS	16.41
3.	CONSUMER DURABLES	15.47
4.	AUTO ANCILLARIES	8.00
5.	INDUSTRIAL PRODUCTS	7.01
6.	POWER	5.89
7.	FERROUS METALS	5.58
8.	PETROLEUM PRODUCTS	4.69
9.	PESTICIDES	4.41
10.	GAS	2.45
11.	INDUSTRIAL CAPITAL GOODS	2.17
12.	TRANSPORTATION	0.94
	TOTAL - EQUITY	92.09
13.	CASH & CASH RECEIVABLES	7.91
	TOTAL	100.00

Growth of NAV – Taurus Ethical Fund (Inception to 31st Dec 2009)

Why Taurus Ethical Fund ?

TAURUS
Mutual Fund

- India's first & only actively managed equity fund based on the principles of Shariah
- Investors who are currently keeping their money in cash due to unavailability of Shariah-compliant investment options can invest
- Has given an absolute return of 74.30% since inception(06/04/09) as against a return of 52.26% by the bench mark index as on 31/10/09.
- Portfolio is adequately diversified across compliant sectors. Active management within these sectors has delivered superior performance.
- Ideal for investors looking at socially compliant way of investing
- Stock selection from S&P CNX 500 Shariah universe
- Declared 15% dividend in July 09 & 10% in September 09

Scheme Features

- **Minimum Application Amount** –

  Rs. 5000/- and in multiple of Re. 1/- thereof.

In case of SIP (Systematic Investment Plan),

  Rs 1000/- monthly for a minimum of 6 months.

- **Load Structure**

Entry Load: Nil

Exit Load : 1 % if exited before 1 year. Nil after 1 year

- **Choice of Investment**

a. Growth Option

b. Dividend Option - Dividend payout & Dividend Reinvestment Option

c. Bonus Option

- **Benchmark** - S&P CNX 500 Shariah Index
- **Asset Allocation** - At least 80% in Equity & Equity related instruments and up to 20% in money market instruments. (Non interest bearing current account) No F&O in the portfolio.

Annals

- Taurus Mutual Fund was amongst the first few private sector Mutual Funds registered with SEBI
- Taurus Mutual Fund launched its first scheme – Taurus Starshare in early 1994 and the scheme is in operation even today
- Taurus Starshare was amongst the first few schemes to receive permission for investments by NRIs/FIIs to invest on a fully repatriable basis
- The scheme also received investments from IFC,Washington; European Economic Community, Brussels and EFM, UK
- Other schemes in different categories were also launched
- In March 2002, Taurus Mutual Fund took over the schemes of BOI Mutual Fund

Waqar Naqvi - CEO

- AICWA and MBA
- 18 years of Work Ex
- Worked with Thermax, Apple Finance, Escorts Finance, GE TFS, Birla Sun Life MF
- Headed Domestic Sales, Credit, International Business, Offshore Business, PMS, Considerable Exposure to Product Development

Mohit Mirchandani

- Head of Equity Investments

A commerce graduate, has done his MMS from Mumbai University and MBA (specialising in Finance and Strategy) from Emory University's Goizueta Business School, USA. Mohit brings with him 14 years of work experience with reputed financial institutions across US and India. In his last assignment Mohit was employed in the capacity of VP & Portfolio Manager with ING Investment Managers, where he spent 6 years altogether, the last 3 years being at ING Investment Managers based out of Mumbai and the earlier 3 years based out of the United States.

Apart from ING Investment Managers, Mohit has worked with Apple MF and Coca Cola USA (Research Analyst - Corporate Investments) Mohit's total working career is divided equally between his postings in India and the United States.

At Taurus he is responsible for devising the over all strategy for equity investments. He manages Taurus Starshare, Taurus Ethical Fund & Taurus Infrastructure Fund.

Head Office

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Telephone No.: +91 22 6624 2700
Fax No: +91 22 66242777
Email **For customer related query:** customercare@taurusmutualfund.com
For products and services related query: info@taurusmutualfund.com

CHENNAI

Taurus Asset Management Co. Ltd.
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144-145, Kodambakkam High Road, Nungambakkam,
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Email: n.parthiban@taurusmutualfund.com

This presentation is not meant for marketing the product!

But to encourage saving habit in a more acceptable means.

Market Wrap

GLOBAL EQUITY INDICES IN 2009

Economy	Equity	Index Returns in '09 (%)
Russia	RTSI	130.4
India	Sensex	76.3
Brazil	Bovespa	70.4
HongKong	HangSang	49.1
South Korea	KOSPI	45.4
South Africa	FTSI/JSE40	28.4
Germany	DAX	19.8
UK	FTSE 100	18.7
USA	DJIA	16.8
Japan	Nikkei	16.6

Being an Indian, lets be among those who enjoy the benefits of the market!

MARKET WRAP- 2009

- As on 31/12/09, BSE Sensex & CNX Nifty have given a one year return of 81.03% & 75.76% respectively. India has been among the better performers amongst global markets
- During 2009. Among the other emerging markets Russia, Brazil & Indonesia have fared better than India
- During 2009 BSE Midcap Index and BSE Smallcap Index have given a return of 108% & 126% respectively
- Among the sectors that have done well during 2009, Auto, Metal, Sugar, Consumer Durables & Infotech lead the pack
- FIIs made a net investment of US $ 2.2 bn in Indian equities during December 09 taking their net investment for the year 2009 to US $ 17.46 bn. This is against a net withdrawal of US $ 13 bn during 2008

Key events in Domestic Markets:

- Finance minister is confident of 7.5% GDP growth in FY10.
- Strong Growth in corporate tax. Advance tax amount increased by 20% YoY. Net direct collection as on November registered a growth of 3.71%.
- IIP continued its rebound. Oct IIP stands at 10.3% on YoY basis. The growth is fuelled by manufacturing index which grew by 11.1% YoY.
- Core sector grew by 5.3% in November while steel and cement sector grew by 11.7% and 9% on YoY basis.
- India's balance of payments (BoP) recorded surplus in Q2FY10 for the third consecutive quarter after the shock of deficits in Q2 and Q3 of FY09.

Key events in International Markets:

- US GDP grew by 2.2% annualised rate, slightly lower than the estimates.
- Liquidity crisis in Dubai world , a Govt entity raised concern over Dubai's financial health as well as the credit Quality in emerging markets. This lead to a big sell off in the emerging markets.
- Dollar started inching up further but against expectation no impact seen on the equity markets.

THE END

THANK YOU

Prepared by

Rashaad Hussain

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Send your Feedback at

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