

Investing in Islamic Index Fund



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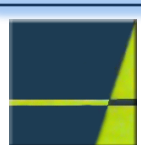
Shariah Index Fund- It's New!!

Name of the Scheme	Alliance S&P Shariah Index Fund
Sponsor	Alliance Capital Asset Management Limited (ACAML)
AMC	Alliance Capital Asset Management Limited (ACAML)
Scheme	<ul style="list-style-type: none">• Open-ended• Islamic Index Fund
Index Provider	Standard & Poor's (S&P) Indices

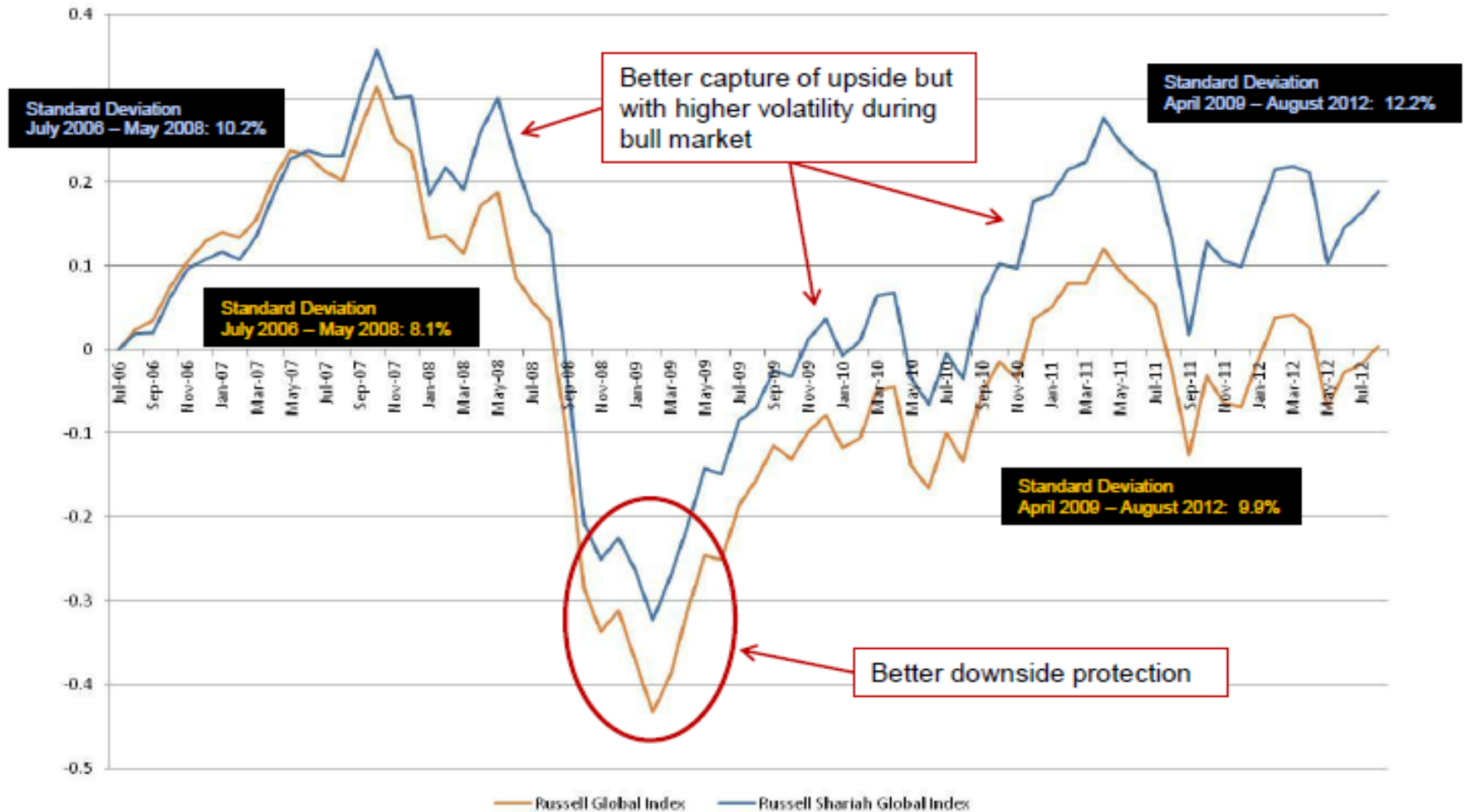


Islamic Finance: Developments

- ❑ In early stage, Islamic finance was concentrated in countries with large Muslim population (i.e. Egypt, Malaysia, Gulf Countries)
- ❑ Today it is widely accepted and being promoted in many countries including UK, Singapore, Germany, Hong Kong.
- ❑ Initiatives to develop Islamic finance by some jurisdictions and increasing demand for Shariah-compliant products have contributed to Islamic finance assets to reach USD 1.3 trillion by 2011.



Russell Shariah Global Index has weathered downturn better and captured upside return better



SOURCE: Russell Investments; Time series date back to when Russell Shariah Global Index became available

Global Islamic Finance Asset Classes

The Industry

- Islamic finance assets worldwide have expanded from USD150 billion in the mid-1990s to **USD1.3 trillion** as at end-2011
- One of the growth drivers being increasing demand for Shariah-compliant financial products and services due to greater awareness

Islamic banking

- Islamic banking has been the major driving force of the global Islamic finance industry, with an estimated asset size of **USD1.1 trillion** as at end-2011
- Contributed to **80.9%** of Islamic finance assets worldwide

Sukuk

- Sukuk market is the second largest asset class within the Islamic finance industry, accounted for **13.5%** of global Islamic finance assets
- Sukuk outstanding stood at **USD178.2 billion** as at end-2011, with record new sukuk issuances of USD85.1 billion during the year

Islamic funds

- Total assets under management of the Islamic funds industry of **USD60 billion** as at end-2011, with number of funds at 876
- Contributed to **4.5%** of global Islamic finance assets

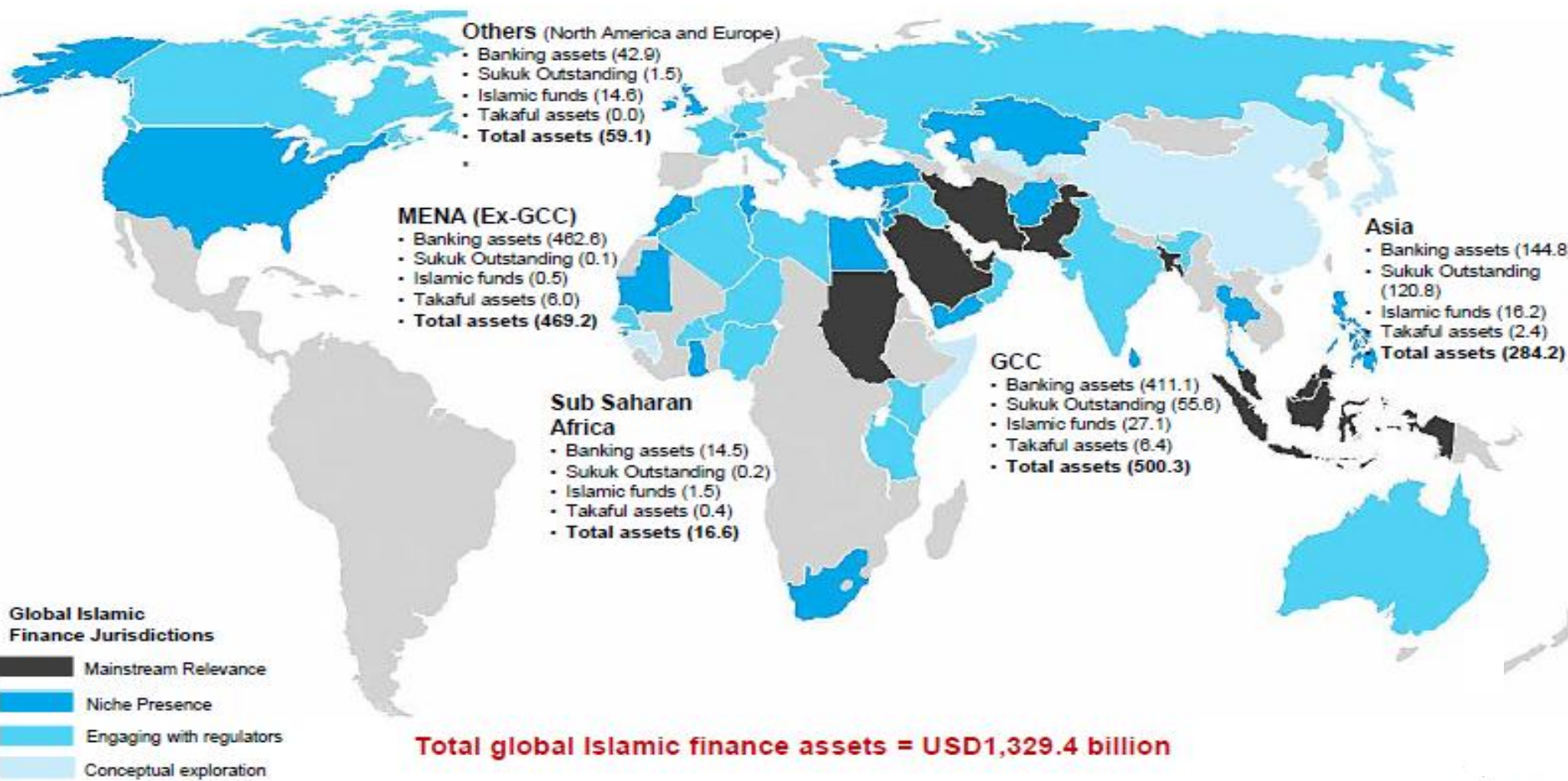
Takaful

- Global Takaful contributions expanded at a CAGR of 19.1% in 2007-2011 to reach an estimated **USD15.2 billion** as at end-2011
- Accounted for **0.8%** of global Islamic finance assets

Source: Central banks, Islamic banks, Zawya, IFIS, Bloomberg, KFHR

Global View of the Islamic Finance Industry

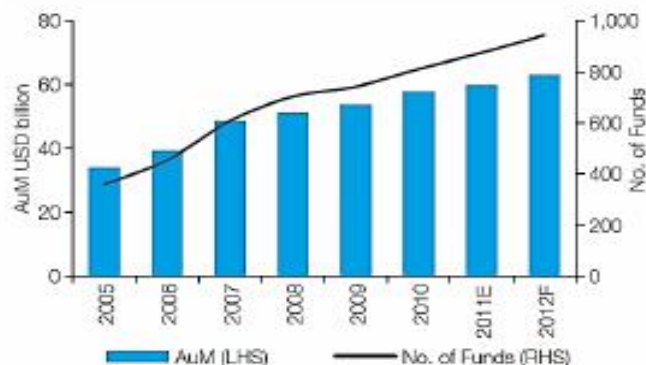
Global Islamic Finance Assets, 2011 (USD Billion)



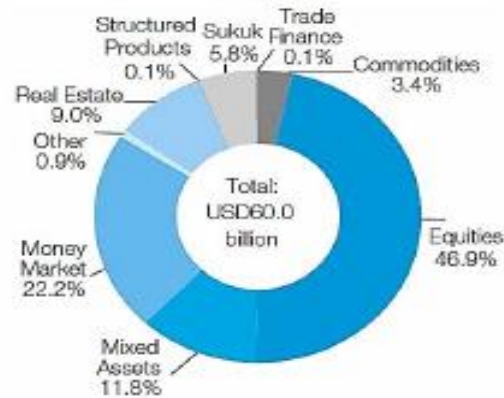
Source: KFHR, GIFF 2012

Global Islamic Funds: Performance and Growth Drivers

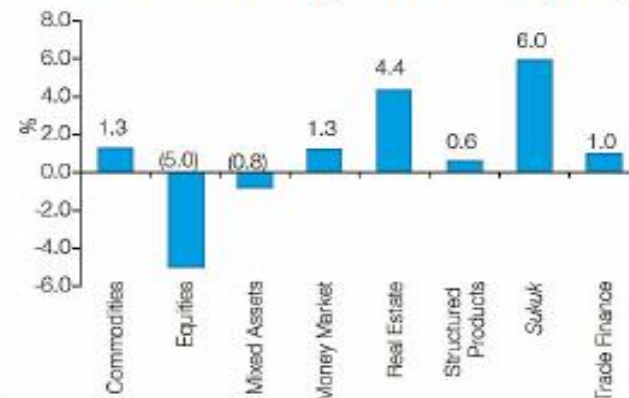
Islamic Funds: AuM and No. of Funds (2005-2012F)



Islamic Funds by Asset Class (2011)



Islamic Funds' Total Return Performance by Asset Class (2011)



Growth Drivers of Islamic Funds



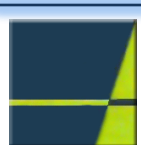
Performance review

- Estimated weighted average of total returns for Islamic funds in 2011 declined by 2.3% from an estimated weighted average of +11.0% in 2010.
- The largest investment manager of Islamic funds as at end-2011 was the National Commercial Bank in Saudi Arabia, closely followed by Public Mutual in Malaysia.
- The rising wealth in Muslim nations, especially in the emerging economies and oil-rich countries, has helped drive demand for investible Islamic assets higher.
- The Islamic funds management industry charted a 3.5% growth in 2011 from an AuM of USD58.0 billion in 2010, supported by the industry's growth drivers.

Source: KFHR GIFF 2012

Alliance S&P Shariah Index Fund

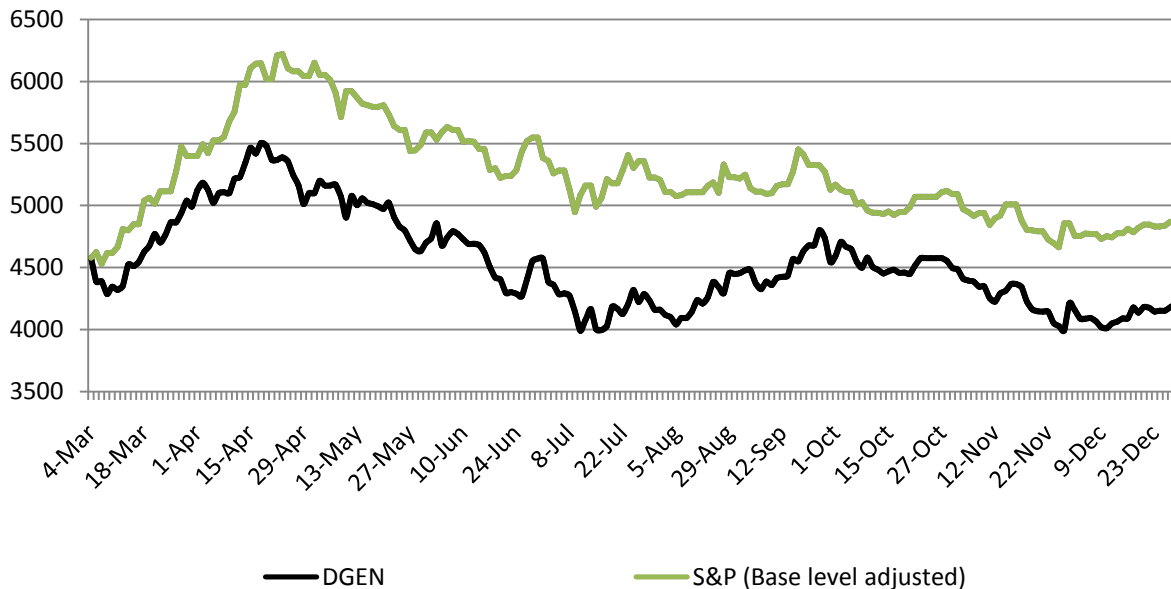
- ❑ Alliance Capital Asset Management Limited is proud to introduce the first ever **Islamic Index Fund in Bangladesh.**
- ❑ The **target group** are the investors who prefer **investing in Islamic schemes** with the goal of achieving a moderate income with minimal risk.
- ❑ Passive fund management will eventually reduce the risk of active fund management.
- ❑ Strong Shariah advisory board consisting of world renowned Islamic scholars.
- ❑ As it's an open end fund, the investment opportunity will be for unlimited time period and for all individual/corporate investor groups who prefer **long term investment.**
- ❑ NAV based pricing, thus hardly any scope for manipulation.



S&P Bangladesh BMI Shari'a Index

- ❑ S&P has several Shariah indices for different regions (developed, emerging, frontier etc). Amongst which **S&P Bangladesh BMI Shari'a** index falls under the **S&P Frontier BMI** category.

Performance of S&P BMI Bangladesh Shari'a Index & DGEN Index Value



About S&P Bangladesh BMI Shari'a Index

- ❑ Standard & Poor's (S&P) is a United States-based financial services company. It is mostly known for its stock-market indices like the US-based S&P 500, the Australian S&P/ASX 200, the Canadian S&P/TSX, the Italian S&P/MIB and India's S&P CNX Nifty etc. The company is also known worldwide for its Credit Rating Services.
- ❑ For index construction S&P divides world's markets into different categories. Some of these are: Developed, Emerging and Frontier.
- ❑ S&P's few parent equity indices are S&P Global BMI, S&P Developed BMI, S&P Emerging BMI and S&P Frontier BMI.
- ❑ **The S&P Frontier BMI (Broad Market Index)** measures the performance of 37 relatively small and illiquid markets. Bangladesh is one of those 37 markets. The individual country indices include all publicly listed equities in each market with a minimum liquidity threshold. Due to the small size, limited investability, and limited available information characteristic of frontier markets, the S&P Frontier BMI is calculated separately and is not included in the calculation of the S&P Global BMI.

About S&P Bangladesh BMI Shari'a Index

- ❑ In order to represent the trading reality of each market, stock market capitalization and liquidity thresholds are divided into three different tiers according to the size of their universe: Tier 1, Tier 2 and Tier 3.
- ❑ Bangladesh belongs to the Tier 1, which has total stock market universe of over US\$ 20 billion.

Each index constituent must have a minimum float adjusted market capitalization of US\$100 million, and either an annual value traded figure of US\$ 35 million or 120 annual days traded. Stocks that have an annual value traded figure of US\$ 1 million or less are excluded.

- ❑ **S&P Frontier BMI Shari'a:** The S&P Frontier BMI Index, consisting of over 563 companies, are reviewed for Shariah compliance. The compliant companies form the S&P Frontier BMI Shari'a index, which includes constituents from 37 frontier countries that are smaller and relatively less liquid than emerging markets.

Shariah Supervisory Board

Dr. Muhammad Ali Elgari

PhD in Economics from the University of California, U.S.A.

Dr. Abdul Sattar Abu Ghuddah

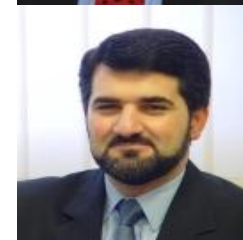
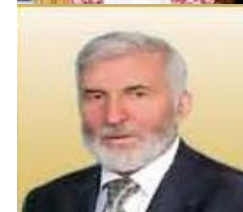
PhD in Islamic Law from Al Azhar University, Cairo, Egypt.

Dr. Nazih Hammad

PhD in Islamic Law from the University of Cairo, Egypt.

Dr. Mohammad Amin Ali-Qattan

PhD in Islamic Banking, University of Birmingham, United Kingdom.

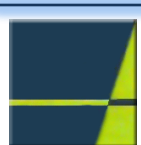


Shariah Screening

❑ Sector-Based Screens

Business activities related to the following are excluded (Moral Screening):

1. Advertising and Media, with the following exceptions:
 - Generating revenues in excess of 65% of total income from the GCC countries
 - News Channels
 - Newspapers
 - Sports Channels
2. Alcohol
3. Cloning
4. Financials, except:
 - Islamic Banks
 - Islamic Financial Institutions
 - Islamic Insurance Companies
5. Gambling
6. Pork
7. Pornography
8. Tobacco
9. Trading of gold and silver as cash on deferred basis



Shariah Screening

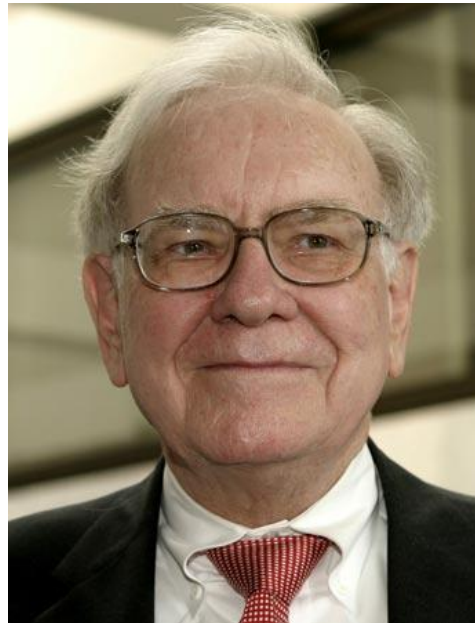
Quantitative Screening (Accounting Based)

Screens	FTSE Islamic Indices	Dow Jones Islamic Market Index	S&P Shari' a Indices
Debt	Gross interest bearing debt to total assets < 33%	Total debt to market capitalisation < 33%	Total debt to market capitalisation < 33%
Cash	Cash & other interest bearing items to total assets < 33%	Cash & interest bearing securities to market capitalisation < 33%	Cash & interest bearing securities to market capitalisation < 33%
Accounts Receivable	Accounts Receivable and cash to total assets < 50%	Accounts Receivable to market capitalisation < 45%	Accounts Receivable to market capitalisation < 49%
Other impermissible income	All non Islamic revenue to gross revenue < 5%		All non Islamic revenue to gross revenue < 5%

Recommendation from Investment Guru

Warren Buffet: “Most investors, both institutional and individual, will find that the best way to own common stocks is through an index fund that charges minimal fees. Those following this path are sure to beat the net results (after expenses and fees) delivered by the great majority of investment professionals.”

Source: Annual letter to shareholders of Berkshire Hathaway.



Alliance Capital Asset Management

- Chairman & Managing Director

Mr. Wali-ul-Marooof Matin

- Ex- CEO of Chittagong Stock Exchange
- Founding Secretary General of South Asian Federation of Exchanges
- Former Resident Consultant of Bank of Sierra Leone for Capital Markets Development



Services of Alliance Capital Asset Management



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