

# First Guardian Super

**Global multi-sector strategy  
Adhering to Ethical Principles**

**Managed by First Guardian Capital Limited  
AFSL License No 302538**



# About First Guardian

- First Guardian Super is a Melbourne based superannuation fund, that is specifically designed and managed for socially conscious investors, within the Muslim community. Our investment team have a combined total of over 100 years global financial market experience.

We have managed ethical, Shariah compliant portfolios since June 2009, and have outperformed the Australian market, by 5.3% per year, since inception.

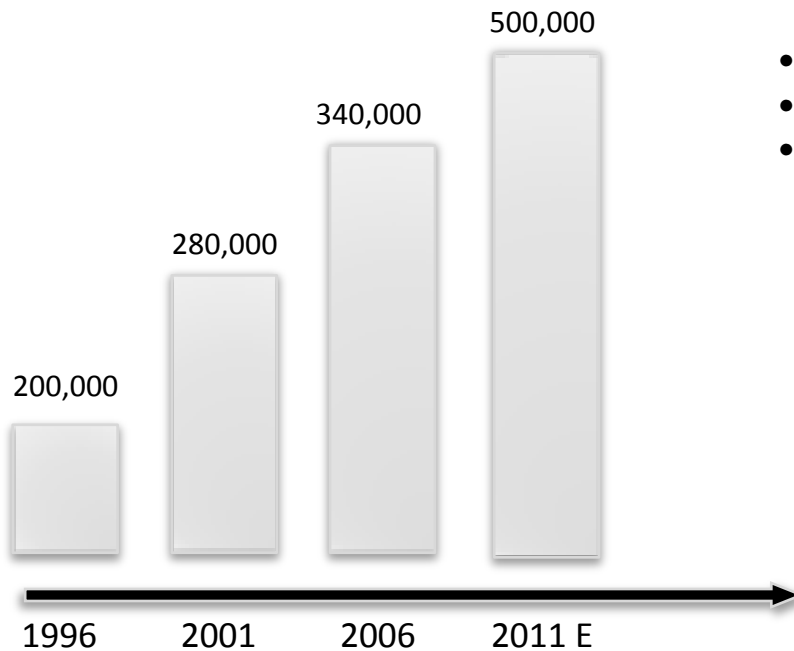
- The team at First Guardian Super has over 25 years of extensive investment experience, with deep knowledge of Islamic finance and investing. These principles are applied to all portfolios operated for the betterment of the community.
- Our focus is on providing strong, consistent investment performance, whilst also contributing to positive, sustainable change, across society and the environment.
- Our philosophy is that of integrating environmental, social and governance (ESG) considerations in an Islamic way into our investment approach which then has two benefits:
  - – *It serves to improve risk adjusted investment returns to members.*
  - – *It works to advance the betterment of the community and environment.*

# Opportunities and themes

---

# Australian Muslim community

Approximate number of Australian Muslims



- 95% are less than 65 years of age
- 50% are less than 25 years of age.
- 80% reside in either Melbourne or Sydney.

Most Australian Muslims aspire to the 'Australian Dream' and seek harmony through 'social cohesion and social inclusion'.

Australia's Muslim population growth is expected to outpace the national average, through immigration, and high fertility rates.

# Target Market Opportunity

Australian Muslim market demographics:

2011

Target population 200,000 working adults

Average Muslim Super Balance ~ \$35,000 \*

Potential Market Size ~ \$7B

2017 E

Target population 220,000 working adults

Average Muslim Super Balance ~ \$45,000

Potential Market Size ~ \$10B



\* NB: ABS Survey of Income and Housing 2009/2010 Average Australian Super Balance is \$56k  
First Guardian Ltd estimate was derived by a one third subtraction.

# A socially responsible, sustainable investor

First Guardian Super's investment approach is two fold. The initial approach addresses ethical issues, which we screen for Shariah Compliance. We then apply a rigorous, institutional quality investment process.

In essence, we exclude companies that are inconsistent with Shariah Investing, and reward those, that are deemed to be promoting positive change.

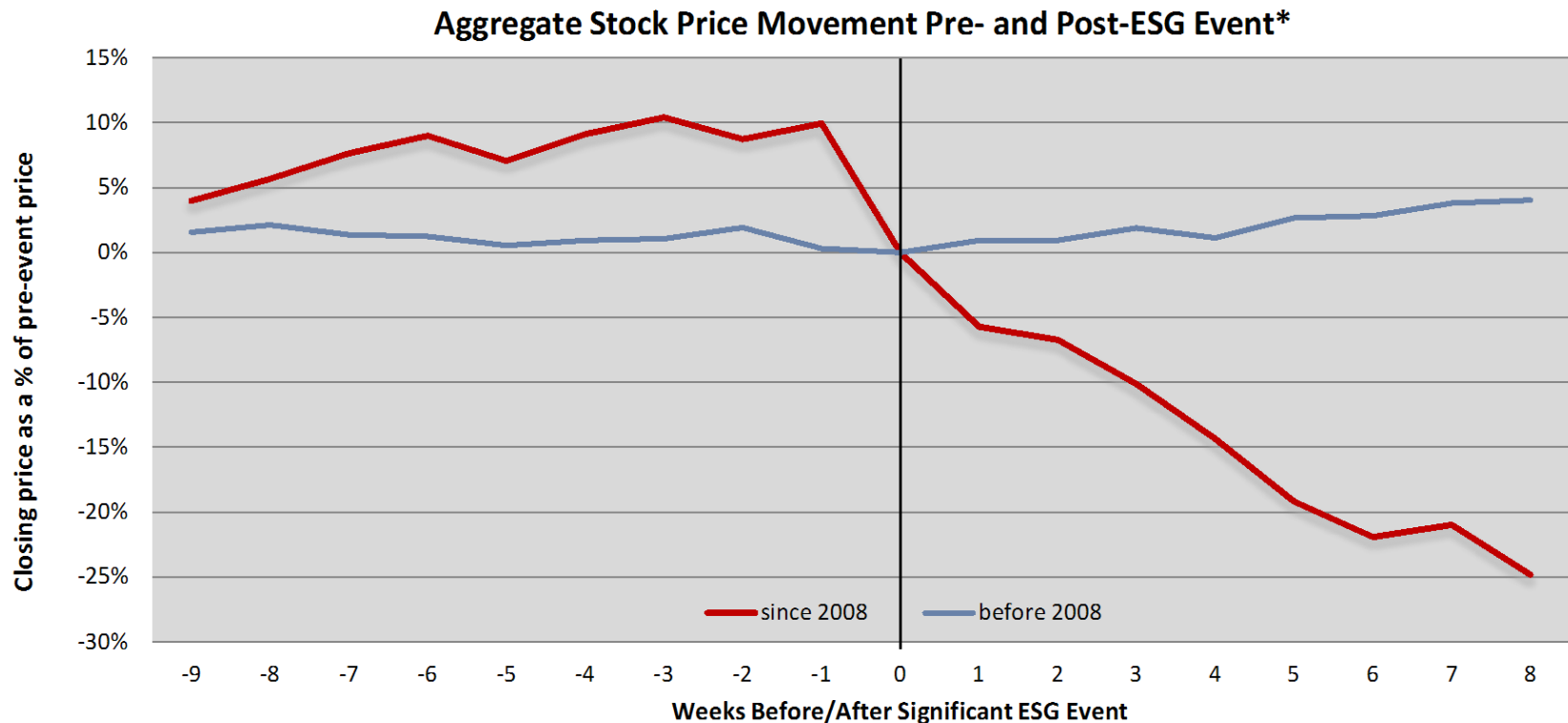
<b>Our process rewards investments that:</b>	<b>Our process avoids investments that:</b>
<b>Support the community (local and global)</b> <ul style="list-style-type: none"><li>• Encourage locally-based businesses</li><li>• Advance health and prosperity</li><li>• Work to overcome poverty</li></ul>	<b>Damage the environment</b> <ul style="list-style-type: none"><li>• Destruction or waste of resources</li><li>• Environmental degradation</li><li>• Pollution and non-renewable energy</li></ul>
<b>Support innovation and advancement</b> <ul style="list-style-type: none"><li>• Life sciences research and development</li><li>• Green or renewable technologies</li><li>• Efficient and sustainable technologies</li></ul>	<b>Lead to harm or suffering</b> <ul style="list-style-type: none"><li>• Business activities that harm humans or animals</li><li>• Marketing products that may lead to addiction</li><li>• Involved in military or defense related fields</li><li>• Exploitive or predatory financial practices</li></ul>
<b>Support the environment</b> <ul style="list-style-type: none"><li>• Contribute to preserving eco-systems</li><li>• Minimise pollution and waste</li><li>• Energy efficient building practices</li><li>• Recycling</li></ul>	<b>Treat people unfairly</b> <ul style="list-style-type: none"><li>• Exploitation through low wages</li><li>• Provision of poor working conditions</li><li>• Discrimination</li><li>• Misleading or deceitful marketing</li></ul>

# Market Reaction to ethical issues

**With growing regularity, Ethical factors impact companies' operations and trigger rapid share price adjustments**

Ethical issues = Low probability + high impact

Traditional earnings estimates surprise = high probability + low impact



\*BP PLC, Tokyo Electric Power, Massey Energy, StatOil, Exxon Mobil, Conoco-Phillips, Chevron, News Corporation, PG&E, Foxconn, and Royal Dutch Shell from 180 to 211  
Source: MSCI ESG Research

# Issues to address

---



# How to build next generation portfolios?

- How do we cater for investors' changing risk appetite over time?
- How do we provide diversified portfolios that are competitive against mainstream institutional super funds?
- What are the next generation super ideas we should be implementing?

# Infrastructure as a fixed income substitute

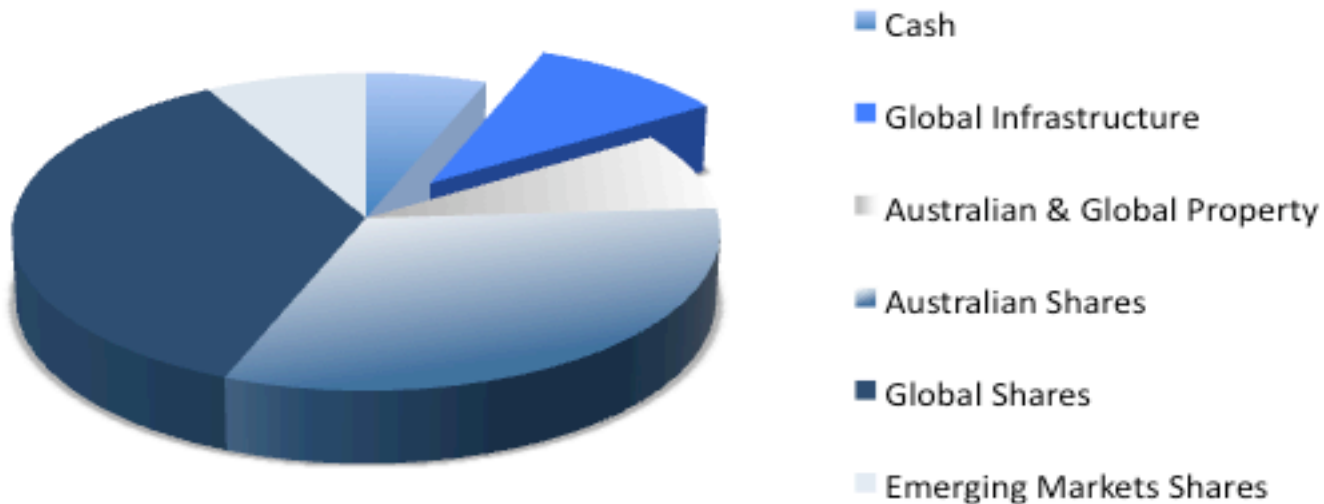
- Infrastructure is a smart way to boost return and diversification, whilst remaining Shariah compliant
- Many attractive characteristics of income returns, but without the interest!
- Contracted, reliable cash flows, often regulated by government
- By providing essential services, these investments carry low risk

	<b>Expected Risk % pa</b>	<b>Expected Return % pa</b>
Cash	0%	3.0%
Fixed Income (Australian Government 10 Year Bonds)	3.2%	4.3%
Defensive Global Infrastructure	8.1%	8.8%

Source: First Guardian long-term secular risk and return expectations

# A new approach to asset allocation

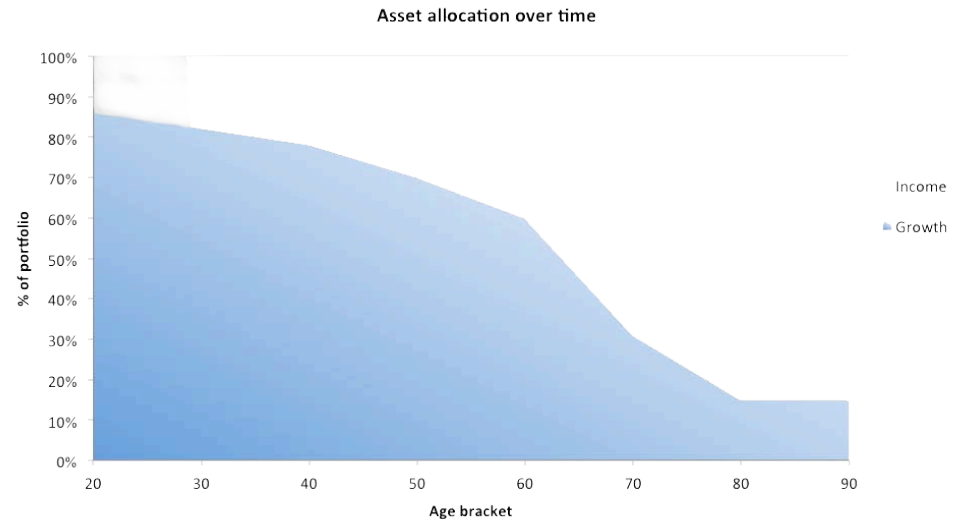
- Investors are looking for more stable returns, given unpredictable markets over recent years
- Infrastructure can play a valuable role in a portfolio, as a fixed income substitute.
- It is essential to source the right sub-sectors, that have appropriate investment characteristics



# Lifecycle super

## *Leave the asset allocation decisions to us*

- Lifecycle Super is designed for investors who would like us to automatically adjust the allocation between growth and defensive asset classes to become more conservative over time.
- Members in the Lifecycle Super, we will be invested into a strategy that corresponds to the decade in which they were born.
- These portfolios seek a higher rate of return during the early to mid-stages of working life, and then transitions to a more conservative, income focus later in life as members approach retirement.
- This allocation weighting process is commonly referred to as a glide path.
- Each portfolio seeks to manage risk by diversifying across a number of different individual investments.



# Disclaimer

This material has been prepared by the division, group, subsidiary or affiliate of First Guardian Capital Group identified herein.

This material is for distribution only under such circumstances as may be permitted by applicable law. It has no regard to the specific investment objectives, financial situation or particular needs of any recipient. It is published solely for informational purposes and is not to be construed as a solicitation or an offer to buy or sell any securities or related financial instruments. References made to third parties are based on information obtained from sources believed to be reliable but are not guaranteed as being accurate. It should not be regarded by recipients as a substitute for the exercise of their own judgement. Any opinions expressed in this material are subject to change without notice and First Guardian Capital Group is not under any obligation to update or keep current the information contained herein. First Guardian Capital Group and its respective officers and associates or clients may have an interest in the securities or derivatives of any entities referred to in this material. In addition, First Guardian Capital Group may make, purchases and/or sales as principal or agent or may act as market maker or provide corporate finance or other services. First Guardian Capital Group accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any part of this material. All information is correct at the time of publication, additional information may be made available upon request.

**Australia:** This material is distributed in Australia by First Guardian Capital Limited (ACN 119 204 554) Holder of Australian Financial Services Licence No. 302538

© 2013 First Guardian Capital Group. All rights reserved. First Guardian Capital Group specifically prohibits the redistribution of this material and accepts no liability whatsoever for the actions of third parties in this respect.



## **First Guardian Capital**

AFS License 302538

Suite 802

1 Queens Road

Melbourne VICTORIA 3004

AUSTRALIA

Tel: +61 3 9863 8558

[www.firstguardiancapital.com](http://www.firstguardiancapital.com)