

## Shariah Investment Guidelines

The following are the Shariah Investment Guidelines for the Sub-Fund, which the Investment Manager is to strictly adhere to on a continuous basis. For so long as the Sub-Fund is a Shariah-compliant fund, the Sub-Fund shall invest in investment instruments that are allowed under Shariah Principles and shall not invest in investment instruments that are prohibited by Shariah Principles based on the parameters of the applicable Shariah advisory bodies (as set out below) and the Shariah Adviser.

You should note that the Shariah Investment Guidelines may from time to time be updated or amended by the Shariah Adviser, and the latest Shariah Investment Guidelines for the Sub-Fund may be obtained from the Manager's website at [www.maybank-am.com.sg](http://www.maybank-am.com.sg).

Where the Shariah Adviser intends to modify the Shariah Investment Guidelines, it shall give the Manager sufficient prior notice including a reasonable period of time to reflect any necessary update or change to this Prospectus in accordance with the requirements of any applicable law and regulation.

The Shariah Investment Guidelines for the Sub-Fund as at the date of this Prospectus are described below.

### Investments

#### a. Shariah-compliant Equity-related Securities

The Sub-Fund shall invest in securities:

- listed under the list of Shariah-compliant securities issued by the local Shariah governing bodies of the relevant countries, such as the Shariah Advisory Council of Securities Commission or Shariah Advisory Council of Bank Negara Malaysia in Malaysia and/or the Majelis Ulama Indonesia in Indonesia; and/or
- listed on a formal list of Shariah-compliant securities issued by internationally recognised Shariah indices including but not limited to the MSCI Islamic Index Series.

The Sub-Fund may invest in any securities which are not certified by the local Shariah governing bodies of the relevant countries or are not listed on a formal list of Shariah-compliant securities issued by internationally recognised Shariah indices, provided that such securities are deemed to be Shariah-compliant pursuant to the rulings issued by the Shariah Adviser. The Shariah Adviser shall issue such rulings, which is described in further details below.

#### (1) Business Activity Screening

Shariah investment guidelines do not allow investment in companies which are directly active in, or derive more than 5% of their revenue cumulatively from the following activities ("prohibited activities"):

	FTSE Russell Ideal Ratings rulebook	FTSE Shariah-based rulebook
<b>Prohibited activities</b>	<ol style="list-style-type: none"><li>1. Adult entertainment;</li><li>2. Advertising excluding online advertisement;</li><li>3. Alcohol;</li><li>4. Cinema;</li><li>5. Defense and weapons;</li></ol>	<ol style="list-style-type: none"><li>1. Adult entertainment;</li><li>2. Alcohol;</li><li>3. Cinema;</li><li>4. Defense and weapons;</li></ol>

	6. Financial services (insurance, conventional banking, conventional financial institutions, mortgage and lease, etc); 7. Gambling; 8. Games with violent content; 9. Gold and silver hedging; 10. Operating and non-operating interest income; 11. Music; 12. Pork; 13. Meat products slaughtered in non-monotheistic countries; 14. Tobacco	5. Financial services (insurance, conventional banking, conventional financial institutions, mortgage and lease, etc); 6. Gambling; 7. Operating and non-operating interest income; 8. Music; 9. Meat products not slaughtered according to Shariah; 10. Pork; 11. Tobacco; 12. Hotels
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## (2) Financial Screening

The Shariah investment guidelines do not allow investment in companies deriving significant income from interest or companies that have excessive leverage. The following financial ratios are to be met in order to qualify as Shariah-compliant:

	FTSE Russell Ideal Ratings rulebook	FTSE Shariah-based rulebook
<b>Debt / Total Assets</b>	33.00% *	33.33% **
<b>Cash + Interest Bearing Deposits / Total Assets</b>	33.00%	33.33%
<b>Receivables / Total Assets</b>	N/A	50.00% ***
<b>Other Screenings</b>	<ul style="list-style-type: none"> <li>No investment in trusts is allowed.</li> <li>No investment in fixed income preferred shares is allowed.</li> <li>No investment in companies based in Israel.</li> </ul>	N/A
<b>Definition of Total Assets</b>	24 months average trailing market cap or book value of assets, whichever higher.	Book value of assets

\* Total interest-bearing debt / (total assets or 24-month average trailing market capitalisation) must be less than 33.00%.

\*\* Total interest-bearing debt / total assets must be less than 33.33%.

\*\*\* Accounts receivables and cash / total assets must be less than 50.00%.

Should any of the above deductions fail to meet the benchmarks, the Shariah Adviser will not accord Shariah-compliant status for the companies.

**b. Sukuk**

The Sub-Fund shall only invest in Sukuk as approved by the respective Shariah scholar(s) or Shariah board(s) of the relevant Sukuk and/or as listed in the Dow Jones Sukuk Price Return Index. The Manager shall seek the Shariah Adviser's prior approval to making an investment for the Sub-Fund in any Sukuk.

**c. Islamic Deposits**

The Sub-Fund may place bank deposits in Islamic accounts (e.g. Murabahah, Wakalah) issued by licensed Islamic financial institutions/financial institutions, or where no such Islamic account is accessible, non-interest bearing accounts. The Sub-Fund is also prohibited from investing in interest-bearing deposits and recognising any interest income.

**d. Islamic Money Market Instruments**

The Sub-Fund may invest in money market instruments that are endorsed by the respective Shariah advisers or committees of the relevant instruments, provided that such instruments are first approved by the Shariah Adviser based on its review of the relevant documents e.g. principal terms and conditions, and Shariah pronouncement or approvals.

**e. Shariah-compliant Collective Investment Schemes**

The Sub-Fund may invest in eligible collective investment schemes which are endorsed by other reputable Shariah advisers or committees, provided that such schemes are first approved by the Shariah Adviser based on its review of the relevant documents e.g. principal terms and conditions, and Shariah pronouncement or approvals.

**f. Islamic Financial Derivative Instruments**

The Sub-Fund may invest in Islamic financial derivatives that are endorsed by other reputable Shariah advisers or committees, provided that such derivatives are first approved by the Shariah Adviser based on its review of the relevant documents e.g. principal terms and conditions, and Shariah pronouncements or approvals.

**g. Any other Shariah-compliant investments**

For avoidance of doubt, the Manager shall seek the Shariah Adviser's approval before making investments for the Sub-Fund in Islamic liquidity management instruments, and shall submit all relevant documents relating to such instruments to the Shariah Adviser for this purpose.

**Cleansing/ Purification Process for the Sub-Fund**

**a. Shariah Non-Compliant Investment**

The Manager will immediately dispose of any Shariah non-compliant investment inadvertently made by the Sub-Fund. If the disposal of the Shariah non-compliant investment results in loss to the Sub-Fund, the loss is to be borne by the Manager. The Manager shall ensure that the loss is restored and returned to the Sub-Fund. The said investment will be disposed/withdrawn with immediate effect or within a period of not more than one month after the Manager becomes aware of the status of the investment. In the event that there are any capital gains or dividend received before or after the disposal of the investment, such gains will be channeled to any charitable bodies as selected by the Manager and approved by the Shariah Adviser. The Sub-Fund has the right to retain only the investment cost.

**b. Reclassification of Shariah status of the Sub-Fund's investments**

If a security is reclassified as Shariah non-compliant by the Shariah board of the MSCI Islamic Index Series and/or any other relevant sources, as per the Shariah Adviser's advice, the said security shall be disposed of as soon as practical, once the total amount of dividends received and the market value held equal the investment costs. Any capital gains arising from the disposal of the Shariah non-compliant security made at the time of the announcement/review can be kept by the Sub-Fund. However, any excess capital gains derived from the disposal after the announcement/review day at a market price that is higher than the closing price on the announcement/review day is to be channelled to any charitable bodies as selected by the Manager and approved by the Shariah Adviser.

On the other hand, the Sub-Fund is allowed to hold the investment in the Shariah non-compliant security if the market price of the said security is below the investment cost. It is also permissible for the Sub-Fund to keep the dividends received during the holding period until such time when the total amount of dividends received and the market value of the Shariah non-compliant security held equal the investment cost. At this stage, the Sub-Fund is advised to dispose of its holding in that security.

**c. Dividend Purification**

The cleansing process is the means by which all remaining elements of non-permissible income are removed or purged from a portfolio through dividend cleansing. The process applies mainly to non-permissible income of foreign securities as per FTSE Russell Idealratings rulebook and should be disposed according to the same methodology of FTSE Russell Idealratings rulebook. The cleansed income shall be channelled to Baitulmal and/or any other charitable bodies as advised by the Shariah Adviser.

**Payment of Zakat**

This refers to the purification by way of payment of zakat by Muslims. The Sub-Fund will not pay zakat on behalf of Muslim Holders. Thus, Muslim Holders are advised to pay zakat on their own.