

SHARIAH-COMPLIANT INVESTING

We build personal, long-term relationships with our clients and get to know what you value most when it comes to growing your wealth. We offer a wide range of individually tailored portfolios to meet your unique requirements. For our Muslim investors it's essential that all income adheres to the strict dictates of the Shariah – earnings should be pure and choice. This is why Sanlam Private Wealth has introduced a South African first – a customised investment solution that complies with the Shariah guidelines.

As well as setting out rules concerning income, the Shariah guidelines also prohibit financial involvement with companies such as conventional banks, casinos and alcohol producers. Another key element of Islamic investing is the avoidance of interest, or riba.

To ensure Shariah-compliant investment, it is essential to engage with an investment adviser of faith, with the necessary experience and industry expertise. We bring clients a solid combination of certified Shariah compliances, and the impressive track record of a world-class company.

SHARIAH INVESTMENT PROCESS

Before an investment can be included in our Shariah solution, it is thoroughly evaluated in the following way:

REVIEW FUND PRODUCTS

- Determine whether the trading universe fits within the categories of Shariah-compliant businesses and companies
- Assess whether the portfolio is managed using only equities and a limited core of acceptable financial instruments.

ASSESS FINANCIAL RATIOS

- Interest-bearing debt-to-total assets must be less than 30%
- Non-permissible income must be less than 5%
- The company must not have an excessive cash holding – liquid to non-liquid must be less than 70%
- Interest-bearing assets must be less than 30%.

CHECK INTEREST RATE

Riba-earned plus non-permissible income must be less than 5%.

DETERMINE QUALIFICATION FOR FUND UNIVERSE

The above steps determine qualification.

ASSESS INVESTMENT POTENTIAL

This involves an in-depth analysis to assess the investment potential.



CAREFUL MANAGEMENT IS CRUCIAL

CONDUCT SHARIAH AUDIT AND INCOME PURIFICATION

- The company is reviewed by the Shariah Board to make sure it adheres to Shariah rules
- An audit is generally done on a monthly basis so that non-permissible income is not reinvested
- The dividend is purified of interest and non-permissible income.

Our Shariah solution is provided only through equities and a limited core of acceptable financial instruments. These include common stock (from companies that have passed a Shariah screening), exchange-traded funds (ETFs), compliant real estate investment trusts (REITs) and cash.

Investments that are avoided include preferred and convertible stock, individual and index options, futures and swaps, money market funds, bank certificates of deposits, bonds and all conventional fixed-income instruments.

No interest is earned on cash balances. Any interest and impermissible income will be purified during the auditing process and donated to charity.

FEES

Fees are calculated monthly, on a sliding scale basis. Sanlam Private Wealth does not charge any take-on fees and rates remain highly competitive.

SECTORS

COMPLIANT

Technology
Healthcare
Consumer products
Basic industries
Mining and manufacturing
Energy
Transportation
Telecommunications
Natural resources
Construction
Education
Selected utilities
Selected real estate and real estate investment trusts (REITs)
Commodities and agriculture
Information technology

NON-COMPLIANT

Banks
Insurance
Brokerage and securities firms
Alcohol
Gaming and casinos
Hotels
Musical instruments
Amusement and recreation
Pork and meat-packing industries
Home loan companies
Tobacco
Pornography
Entertainment, movies, theatres and film distribution
Arms and weaponry
Advertising and media

Although a sector may be compliant, some stocks within the sector may be non-compliant for breaking the requirements of Shariah.

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