

# Q&A on shariah-compliant investing



Shariah-compliant investing provides the opportunity for Muslim investors to align their investments with the established body of Islamic law. Here are answers to some of the most frequently asked questions about shariah-compliant investing.

## **Q1.** What is shariah-compliant, or halal, investing?

**Shariah** is a set of Islamic religious laws that governs aspects of day-to-day life for Muslims, in addition to religious rituals. Shariah also provides Muslims with a set of principles and guidelines to help them make important decisions in their lives, including those related to finances and investments.

**Halal** is compliance with shariah principles. Therefore, “halal investing” requires investment decisions to be in accordance with Islamic principles, governing finances and investments.

## Q2. How does an investment comply with shariah principles?

To ensure compliance, shariah investment funds typically retain the services of an Islamic finance advisory board, an independent body of Islamic legal scholars. This board provides guidance and oversight on the compliance of financial products, services and transactions with the principles of shariah.

**To qualify as a shariah-compliant investment, a company must meet requirements for**



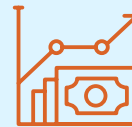
**ACCEPTABLE PRODUCTS**



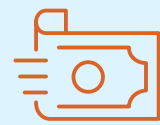
**BUSINESS ACTIVITIES**



**DEBT LEVELS**



**INTEREST INCOME**



**EXPENSES**

The board will typically conduct periodic audits of a portfolio's transactions to determine shariah-compliance for the applicable audit period, and issue a certificate of shariah compliance, or fatwa.

The **Mackenzie FuturePath Shariah Global Equity Fund** only selects stocks that are within the shariah-compliant Dow Jones Islamic Market Developed Markets Index. The index provider relies on guidance from the Shariah Supervisory Board of Ratings Intelligence, which issues a Shariah Audit Certificate at the end of each audit period. Ratings Intelligence also provides shariah-supervisory services to the fund, and Mackenzie Investments will make the certificate available on the fund's web page

### Q3. What is considered not compliant?

Some investments are forbidden (“haram”) under shariah principles, due to their business activities. For example, one shariah principle (“riba”) forbids investors from receiving profits from interest bearing investments, such as loans and traditional bond products. Typically, an independent shariah supervisory board is responsible for identifying haram businesses.

The Mackenzie FuturePath Shariah Global Equity Fund seeks companies within a benchmark index, which employs rules-based stock screens for shariah compliance. These rules remove securities from the investible universe based on the following screening method as an example<sup>1</sup>:

Sector-based screens remove companies with over 5% revenue generated from alcohol, tobacco, pork-related products, non-Islamic financial services, entertainment, weapons and defense.



For more information on screening, please refer to our Shariah Supervisory Board’s website [Shariah compliant stocks screening | Islamic stocks screening \(ratingsintelligence.com\)](https://www.ratingsintelligence.com/shariah-compliant-stocks-screening)

### Q4. What is the role of a Shariah Supervisory Board?

The Shariah Supervisory Board of Ratings Intelligence Partners is comprised of globally respected shariah scholars. The board’s role is to:

1. Provide guidance and oversight on the compliance of financial products, services and transactions with the principles of shariah.
2. Certify shariah-compliant products and issue a shariah-compliance fatwa (shariah certification).
3. Conduct semi-annual audits on the transactions of the portfolio to determine whether the fund is shariah-compliant for the applicable audit period.
4. Discuss and provide guidance on emerging shariah compliance issues.
5. Provide ongoing monitoring to identify any deviation from shariah requirements.



For more information on the Shariah Advisory Board of Ratings Intelligence, please visit [Shariah Advisory Board Role & Members - Rating Intelligence \(ratingsintelligence.com\)](https://www.ratingsintelligence.com/shariah-advisory-board-role-members)

<sup>1</sup> Dow Jones Islamic Market Developed Markets Index | S&P Dow Jones Indices (spglobal.com)

## Q5. What is dividend purification?

Dividend purification is the process of purging any income a company makes from sources that are not shariah-compliant, or “impure”, such as any non-permissible business activities or interest income. This non-permissible revenue must be less than 5% of a company’s total revenue for the company to pass sector-based screening.

The purification ratio represents the percentage of impure income that may be purified by the investor through donation to a charity or other worthy cause. In a shariah-compliant fund, the purification ratio for dividend income is calculated by removing the portion of dividends that is generated from non-shariah compliant sources, such as interest income or income from prohibited activities.

On an annual basis, Mackenzie Investments will publish the purification ratio information on the Mackenzie website, so that investors can make informed decisions about any purifying donations they may wish to make.

## Q6. How does the Mackenzie FuturePath Shariah Global Equity Fund manage compliance requirements?



The fund only invests in companies that have been pre-approved for inclusion in the Dow Jones Islamic Market Developed Markets Index, which is built with guidance from the globally recognized Shariah Advisory Board of Ratings Intelligence Partners.

Ratings Intelligence Partners issues a judgement (“fatwa”) on the shariah compliance of each company that is included in the index. They also conduct a semi-annual shariah audit on the index. The fund has also retained the services of this advisory board to ensure shariah compliance and the accurate calculation of the fund’s purification ratio.

Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated. The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it.