

ELEMENT ISLAMIC EQUITY FUND

INTRODUCTION

As Muslims, we need to ensure that we earn that which is wholesome and pure. Thus we are required to acquire Halaal and pure income, as impure income that is consumed by us produces ill-flesh and keeps us devoid of spirituality. Insha-Allah a body sustained and nourished with that which is Halaal becomes a body whose supplications are accepted by Almighty Allah.

Element Investment Managers' Islamic Funds comply with Shari'ah guidelines that govern Islamic Investment Funds and prohibit investments in companies whose primary business is not consistent with Shari'ah principles. This would exclude businesses involved in any of the following:

Conventional banks, insurance companies, financial services (interest based instruments), entertainment (hotels, casinos, cinemas, music etc), companies manufacturing, selling or offering alcohol, pork, haraam meat, gambling, nightclub activities, pornography, prostitution, short term sales, arms, weapons and tobacco.

One of the key elements of Islamic investing is lawful activities and avoidance of interest (Riba).

RIBA

The literal definition of interest or Al-Riba, as it is used in the Arabic language, means excess or increase. In the Islamic terminology interest means effortless profit or profit that comes free from compensation or extra earnings obtained that are free of exchange.

Riba has been described as a loan with the condition that the borrower will return to the lender more than and / or better than the quantity borrowed. Riba also has other connotations not mentioned here.

As Muslims, when it comes to financial transactions, our main concern is to avoid Riba in any and all of its forms despite the fact that the basic foundation of economics and finance today globally is based on Riba and dealing in usury.

The Prophet (SAW) has foretold of a time when Riba would be so overwhelming that it would be extremely difficult for Muslims to avoid it. This situation calls for Muslims to be extra cautious before deciding on investment opportunities.

ISLAMIC INVESTMENT PRINCIPLES

The general qualitative and quantitative Islamic Investment Principles are:

- The investment must comply with Shari'ah principles that govern Islamic Investment Funds and that prohibit investment in companies whose primary business is not consistent with Shari'ah principles.
- Stocks that do not meet specified financial parameters are excluded. This would include limits on interest bearing debt, interest earning assets, liquid assets (cash and accounts receivable) and interest income.
- The fund manager conducts a purification process on the impermissible income generated. The impure income is distributed to charity.

AAOIFI: The Accounting And Auditing Organization For Islamic Financial Institutions

AAOIFI is an Islamic international autonomous not-for-profit corporate body that prepares accounting, auditing, governance, ethics and Shari'ah standards for Islamic financial institutions and the industry. Professional qualification programs are also presented by AAOIFI in its efforts to enhance the industry's human resource base and governance structures.

Element Investment Managers was awarded membership to AAOIFI in November 2007.

AAOIFI'S SHARI'AH BOARD

AAOIFI'S Shari'ah Board is comprised of not more than twenty members from among fiqh scholars who represent Shari'ah Advisory and Supervisory Boards in the Islamic financial institutions that are members of AAOIFI, and Shari'ah Advisory and Supervisory Board in central banks. For full details on AAOIFI's Shari'ah Board visit www.aaofii.com.

The powers of the Shari'ah Board include, among others, the following:

- ▶ Achieving harmonisation and convergence in the concept and application among the Shari'ah Advisory and Supervisory Boards of financial institutions to avoid contradiction or inconsistency between the fataawa and applications by these institutions.
- ▶ Examining any inquiries referred to the Shari'ah Board from Islamic financial institutions or from their Shari'ah Advisory and Supervisory Board, either to give the Shari'ah opinion in matters requiring collective Ijtihad (reasoning), or to settle divergent points of view, or to act as an arbitrator.
- ▶ Helping in the development of Shari'ah approved instruments, thereby enabling Islamic financial institutions to cope with the developments taking place in instruments and formulae in the field of finance, investment and other banking services.
- ▶ Reviewing the standard which AAOIFI issues in accounting, auditing and code of ethics and related statements throughout the various stages of the due process, to ensure that the issues are in compliance with the rules and principles of Islamic Shari'ah.

ELEMENT INVESTMENT MANAGERS SHARI'AH SUPERVISORY BOARD

The first step towards Shari'ah compliance is the appointment of an Independent Supervisory Board by either the fund's sponsor or the fund manager. This board is an independent body of specialised jurists in fiqh almua'malat or Islamic jurisprudence. The board issues guidelines of Shari'ah investing that are provided in the form of a Fatwa. That means not only avoiding stocks in companies whose business activities are haraam or forbidden, but also those that might be questionable. The board will also oversee the purification process, advise on charitable spending and assist fund management in dealing with issues of concern to the Muslim community through shareholder resolutions and other tools of corporate democracy.

Ultimately, the role of the board is to ensure that the fund is in compliance with the letter and the spirit of Islamic Investing.

Element Investment Managers have appointed an independent Shari'ah Supervisory Board chaired by Mufti Mohammed Ali.

The Shari'ah Advisory and Supervisory Board will issue an annual report stating whether the institution's contracts and related documents are in compliance with the Shari'ah rules. In addition, portfolios are reviewed quarterly.

MEMBERS OF THE SHARI'AH SUPERVISORY BOARD

Mufti Mohammed Ali (Chairman)

Senior Lecturer and Mufti at Darul Uloom Zakariyya

Mufti Ashraf Qureshi

Mufti at Darul Uloom Springs

Mufti Ahmed Suliman

Completed Iftaa Course at Darul Uloom Zakariyya

Element Investment Managers also has its own Internal Shari'ah Department which is headed by Mufti Yusuf Suliman (CSAA), who completed his Iftaa course at Darul Uloom Zakariyya in 2001 and is currently the head of the Fatwa department of Markaz Alnoor lil Iftaa wal Irshaad.

In order to comply with the Shari'ah guidelines, the members of the Shari'ah Advisory and Supervisory Board must screen the stocks initially and monitor the holdings consistently to ensure compliance.

INVESTMENT OBJECTIVES

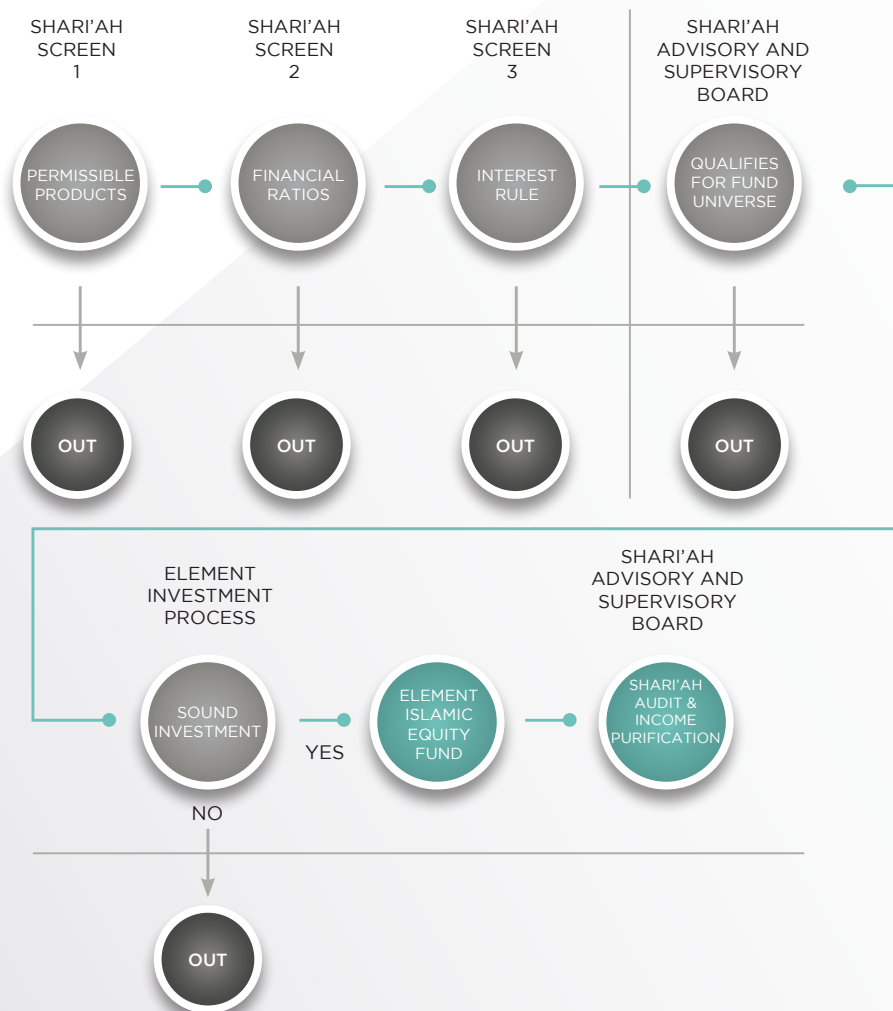
Element Investment Managers has a highly qualified and experienced investment team. Our investment approach is based on fundamental research. Investments are scrutinised from a strategic, operational and financial perspective using detailed bottom-up fundamental research techniques that incorporate a wide range of investment analysis methodologies. This rigorous process ensures that the fund acquires investments which represent good value. Investment research is conducted in-house and is critically reviewed by our investment committee before action is taken on the portfolios.

Element Investment Managers define risk as the “loss of long term real value”. This risk can arise for strategic, operational and financial reasons, but all risks are certainly amplified if one buys businesses where a share price is inflated relative to the size of the company’s operations. In the long run, most risks can be mitigated through focusing on the risk of loss of value pertaining to each

individual investment selection after taking into account the cost of entry and exit. Element Investment Managers manage risk through our research process. We believe that the effect of this process is borne out in our investment record.

Element Investment Managers has been a pioneer in the field of the promotion of corporate citizenship. This has been implemented through an overlay of constructive engagement with the management of the companies in which we invest. By analysing how listed domestic companies compare with global best practice principles and engaging with management in this regard, we believe that we have one of the best investment risk management processes in South Africa. In addition, Element Investment Managers was the first South African asset manager to publish its voting record. A copy of our revised Voting and Proxy Policy is available on our website.

SHARI’AH SUPERVISORY PROCESS



ELEMENT ISLAMIC EQUITY FUND

PORTFOLIO MANAGER

Mohamed Shafee Loonat

**B Com (Eco), B Compt & Advanced Tax (Hons), CA (SA), CFA,
PG Dip (Islamic Banking and Insurance)
Portfolio Manager**

Mohamed-Shafee has worked in Investment Management since 1998 when he joined Alliance Capital Management (now Alliance Bernstein), where he spent five years as part of the South African and Emerging Markets Equities Team. He joined ABVEST in August 2003, where he was the Head of Industrials in the Equities Team and was Portfolio Manager for the ABSA Rand Protector Fund.

Mohamed-Shafee joined Element Investment Managers in July 2006 as an Investment Analyst. He was appointed a Portfolio Manager in October 2007 and, in addition, is responsible for Shari'ah Investment Management and products at Element Investment Managers.

FUND OVERVIEW

| | |
|---------------|---|
| Risk Profile | Higher Risk |
| Fund Overview | Shari'ah compliant returns Long-term capital appreciation Moderate level income |
| Suitable for | Muslim investors seeking investment in a portfolio of South African Equity |

REPORTING

- Annual Financial Statements
- Quarterly Statements
- Tax Reports
- **Websites**
 - Monthly Fund Fact Sheets
 - Voting record at company meetings
- **Daily pricing in newspaper under either**
 - Element Unit Trusts Limited
 - Fund Sector

OTHER INVESTMENT INFORMATION

- **Investor Characteristics** Long-term; contrarian; fundamental; bottom-up stock pickers. Minimise downside risk; exposure risk management. Shareholder activism; stakeholder risk analysis; constructive engagement.
- **Fund Characteristics** Long-only; equity-only; active management; Shari'ah screening; income purification.
- **Tracking Error** The normal tracking error of this portfolio tends to range between 6% and 12%.
- **Diversification of Risk** It is likely that there will be 25 to 40 stocks in the portfolio at any point in time.
- **Portfolio Turnover** Element typically turnover 20 – 30% of this portfolio every year

STATUTORY INFORMATION

1. Element Investment Managers is approved by the Financial Services Board as a Discretionary Financial Services Provider (Licence number 663)
2. Element Investment Managers is registered as a fund manager in terms of the Financial Advisory and Intermediary Services Act 37 of 2002.

DISCLAIMER

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to the future. CIS prices are calculated on a net asset value basis which is the total value of all assets in the portfolio including any income accrual and less all permissible deductions from the portfolio. CIS are traded at ruling prices. Different classes of participatory interests apply to these portfolios and are subject to different fees and charges. A schedule of fees and charges and maximum commissions is available on request from the company/scheme. Commission and incentives may be paid and if so, would be included in the overall costs. Forward pricing is used. The funds are valued daily at 15h00. The portfolios may be closed. Element Unit Trusts is a member of the Association for Savings & Investment SA (ASISA).

CONTACT DETAILS

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BASIC FUND INFORMATION

LAUNCH DATE

1 February 2006

FUND CLASSIFICATION

Domestic General Equity

MINIMUM INVESTMENT

Minimum lump sum /
debit order
R5 000 Lump Sum
R500 Debit Order

FEES

Maximum Initial Advisor Fee
3.42% (Incl. VAT)

Annual Management Fee
1.71% (Incl. VAT)

PRICING METHOD

Forward pricing

INCOME DISTRIBUTIONS

March and September

YEAR END

End of March

UNIT CLASSES AVAILABLE

A

INVESTMENT MANDATE

INVESTMENT UNIVERSE

All shares quoted on the JSE Securities Exchange whose products and financial gearing are deemed acceptable in terms of Shari'ah Law by our Independent Shari'ah Advisory and Supervisory Board

BENCHMARK

FTSE/JSE Shari'ah All Share Index

ANY LIMITATIONS

Maximum cash = 25%
Collective Investment Schemes
Control Act limitations