

SWIP/TAKAFUL SUMMIT 2011

Johnny Russell

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Managing a Shariah compliant equity portfolio

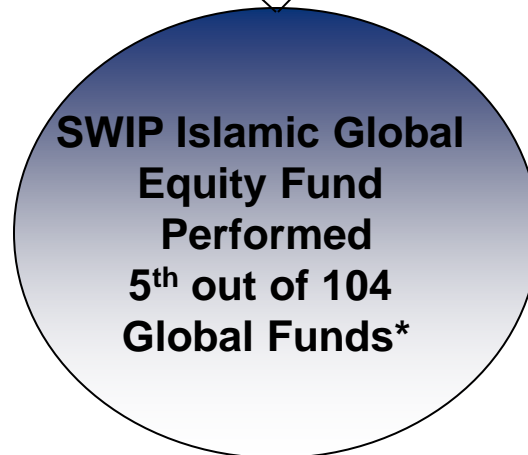
► What do customers want?

- capital growth while following a framework of ethical principles and morals

► Solution

Rigorous Compliance

Successful investing

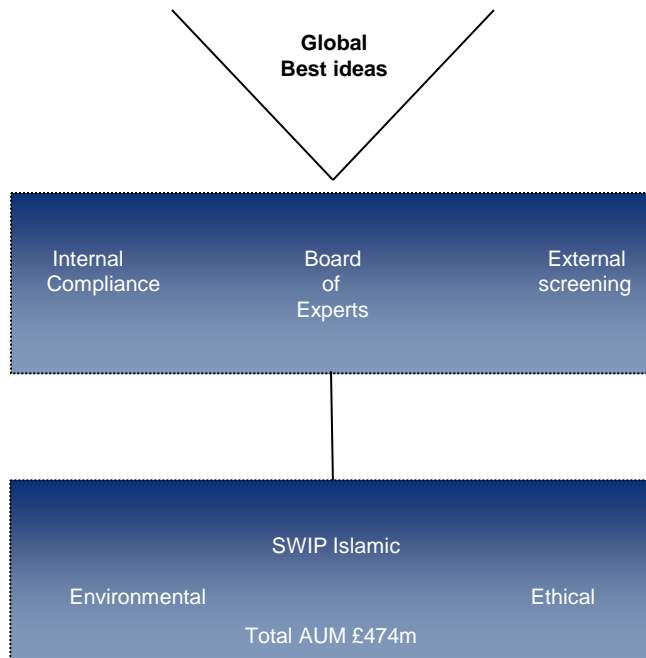


SWIP Islamic Global Equity Fund

► Fund Details

- Global equity; 40-60 stock portfolio
- Size > \$63m
- Benchmark; Dow Jones Islamic markets
- Screening partner; Fyshe Crestar
- Board of Scholars meeting quarterly
- Structure; SICAV listed in Luxembourg; launched 2005
- Platforms; Hargreaves. transact
- Administrator; Statestreet, Luxembourg
- Bloomberg code; SWIPIUB

SWIP's approach to principle based investing



- ▶ Best ideas are unconstrained
- ▶ Stocks that violate core values are excluded
- ▶ Further internal and external checks are carried out before investing
- ▶ Substitution and rebalancing when best ideas do not meet core values
- ▶ The board of Scholars meet quarterly
- ▶ Our approach allows us to leverage our scale in principled investing while not compromising performance

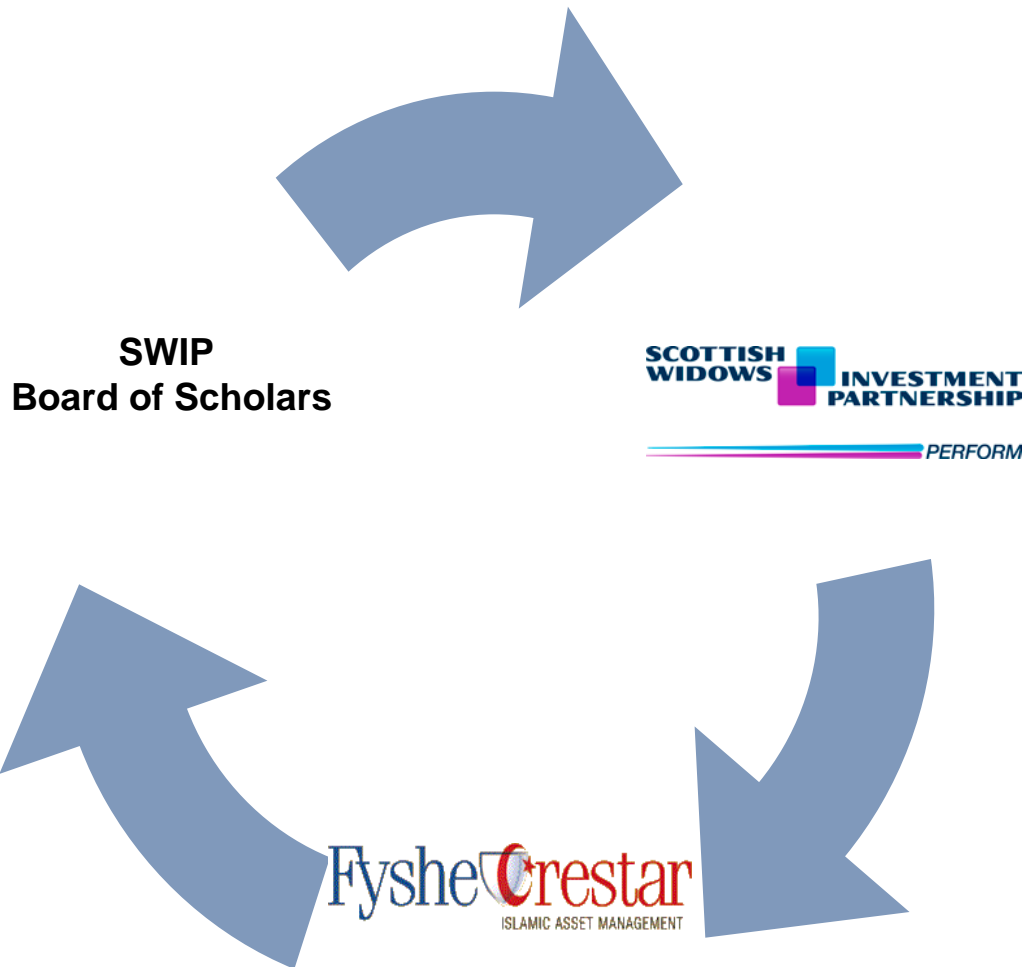
Prohibited stocks

AVOID	SWIP ISLAMIC ¹	SCOTTISH WIDOWS ETHICAL ²	SCOTTISH WIDOWS ENVIRONMENTAL ²	HALIFAX GLOBAL ETHICAL ³
Alcohol	X	X		X
Animal Testing		X	X	X
Armaments	X	X	X	X
Banking	X			X
Child Labour	X	X	X	X
Fur Trade		X		X
Gambling	X	X		X
Links with undemocratic regimes				X
Nuclear Power production	X	X	X	X
Polluting the environment		X	X	X
Pornography	X	X		X
High Debt levels/Cash interest	X			
Tobacco	X	X		X
Production or sale of pork products	x			

Prohibited stocks

- Investment Principles – financial guidelines
- Companies invested in must also follow the following guidelines
 - ▶ Interest revenue shall not exceed -5% of total revenue
 - ▶ Non-Islamic structured borrowing must not exceed -30% of the total market value of the company's stock
 - ▶ Cash plus accounts receivables plus interest bearing assets shall not exceed -30% of the company's adjusted total assets
 - ▶ Each company shall be comprised of >51% non-liquid assets

Compliance in practice



- ▶ Since January 2010
- ▶ 59 Stocks Screened off index
- ▶ 19 Approved
- ▶ 40 Non Compliant

SWIP Investment approach

- ▶ Skill in identifying and researching tomorrows winners
- ▶ Portfolios built around a focussed selection of high conviction holdings (40 to 60)
- ▶ Research shared via proprietary web based portal

Value adding system for all investment decisions

All stocks 31 December 2003 – 31 May 2011		
BUY	HOLD	SELL
3.3	2.3	0.8

We believe we have the skill & experience to pick tomorrow's winners

8

Source: SWIP, 31 May 2011. The value of your investment is not guaranteed and can go down as well as up depending on investment performance. You may not get back the amount you invested. Past performance is not a guide to future performance.

SCOTTISH
WIDOWS  INVESTMENT
PARTNERSHIP

PERFORM

Global Equity Team – scale and experience



- ▶ Focussed team of 11 with proven track records
- ▶ Global sector research
- ▶ Average of 16 years experience
- ▶ Dual roles of research and portfolio management
- ▶ Overall team of 31 analysts driving excellence in research
- ▶ Unconstrained by geography

Top 10 active holdings (%)

TOP 10 ACTIVE	ACTIVE WEIGHT
	%
Halliburton	3.3
Occidental Petroleum	2.7
Intuitive Surgical	2.6
Family Dollar	2.5
Apache Corp	2.5
Novartis	2.5
MSC Industrial	2.4
Devry Inc	2.4
Coca-cola	2.3
EMC Corp	2.3
Remaining 37 stocks + cash	74.6%

Backing our convictions

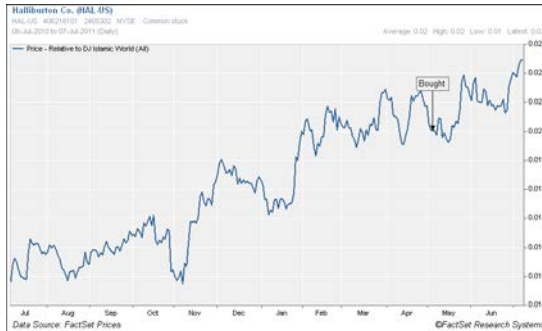
10 Source: SWIP, 30 June 2011. The value of your investment is not guaranteed and can go down as well as up depending on investment performance. You may not get back the amount you invested. Past performance is not a guide to future performance.



PERFORM

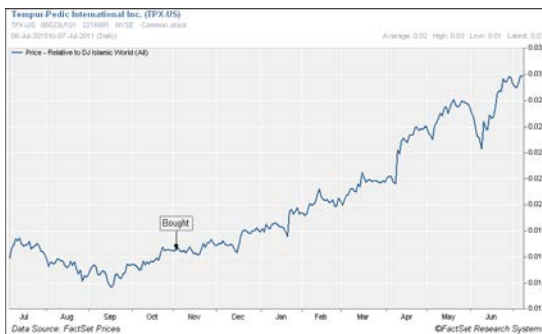
Some of our ideas

Halliburton



- ▶ What? World leading oil services company
- ▶ Halliburton remains significantly below prior peak margins

Tempur Pedic



- ▶ What? Manufacturer and retailer of premium mattresses
- ▶ Successfully exporting a leading brand

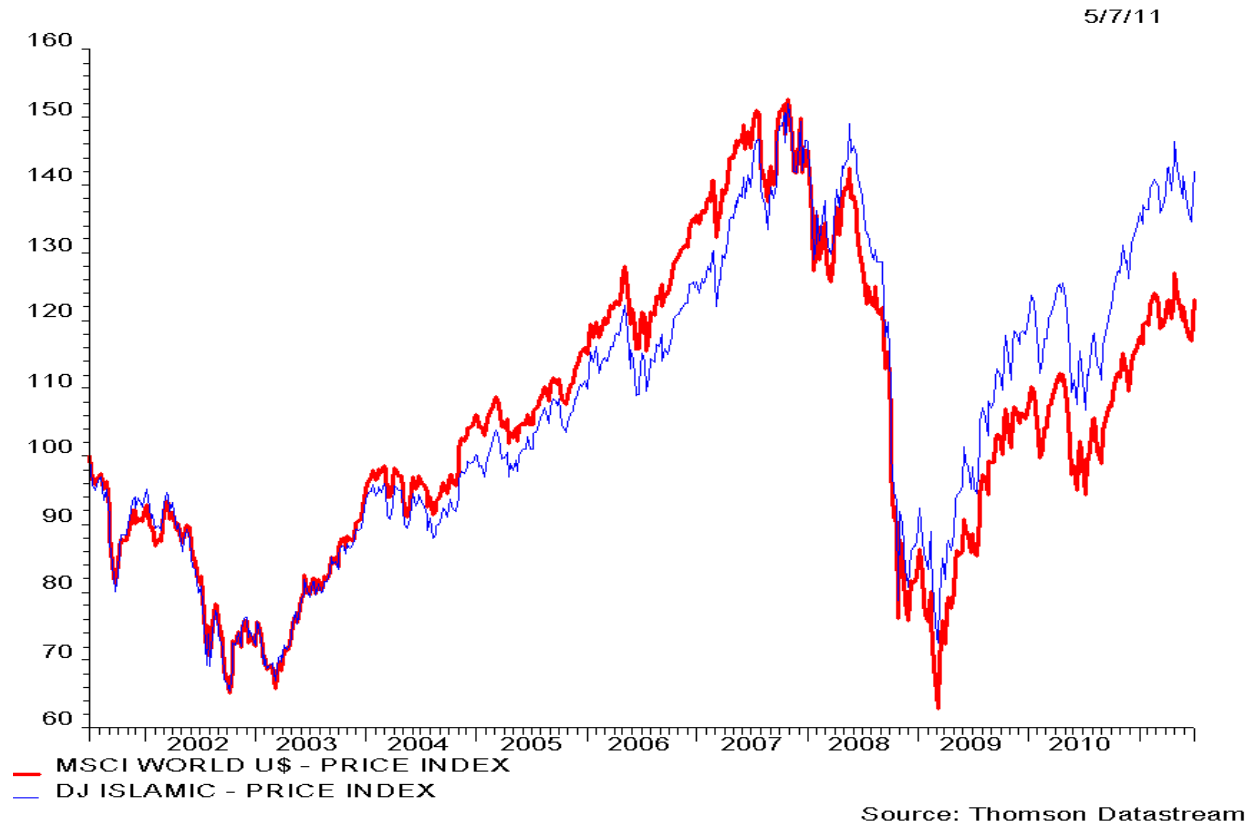
Gome Electrical



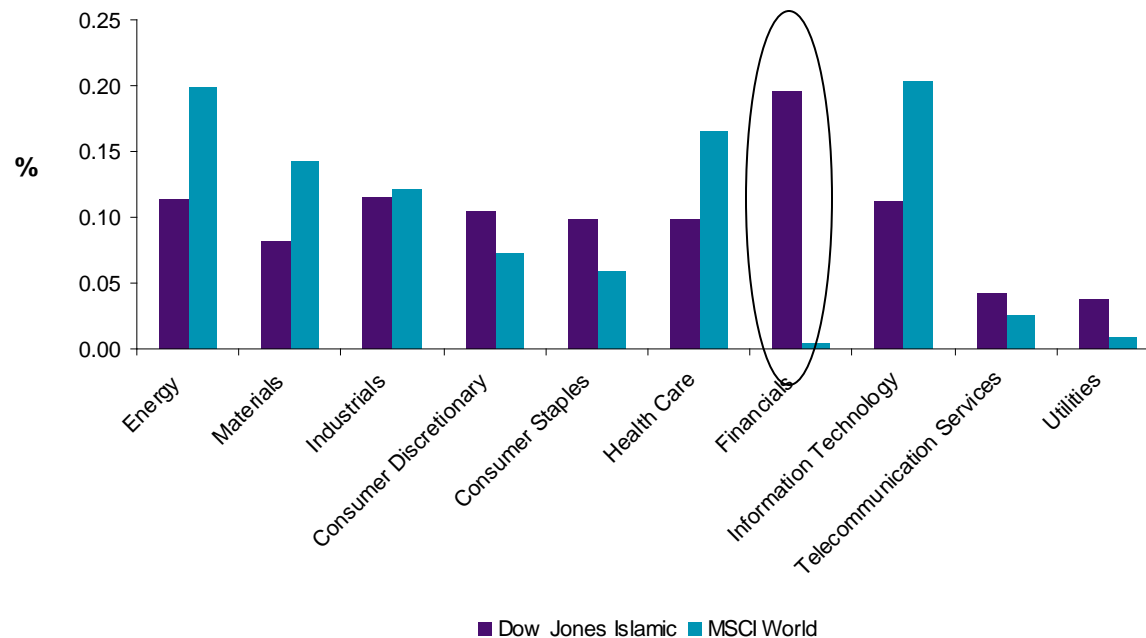
- ▶ What? Large white goods retailer in China
- ▶ Benefiting from a large social housing programme

Bought Point Source: Preview

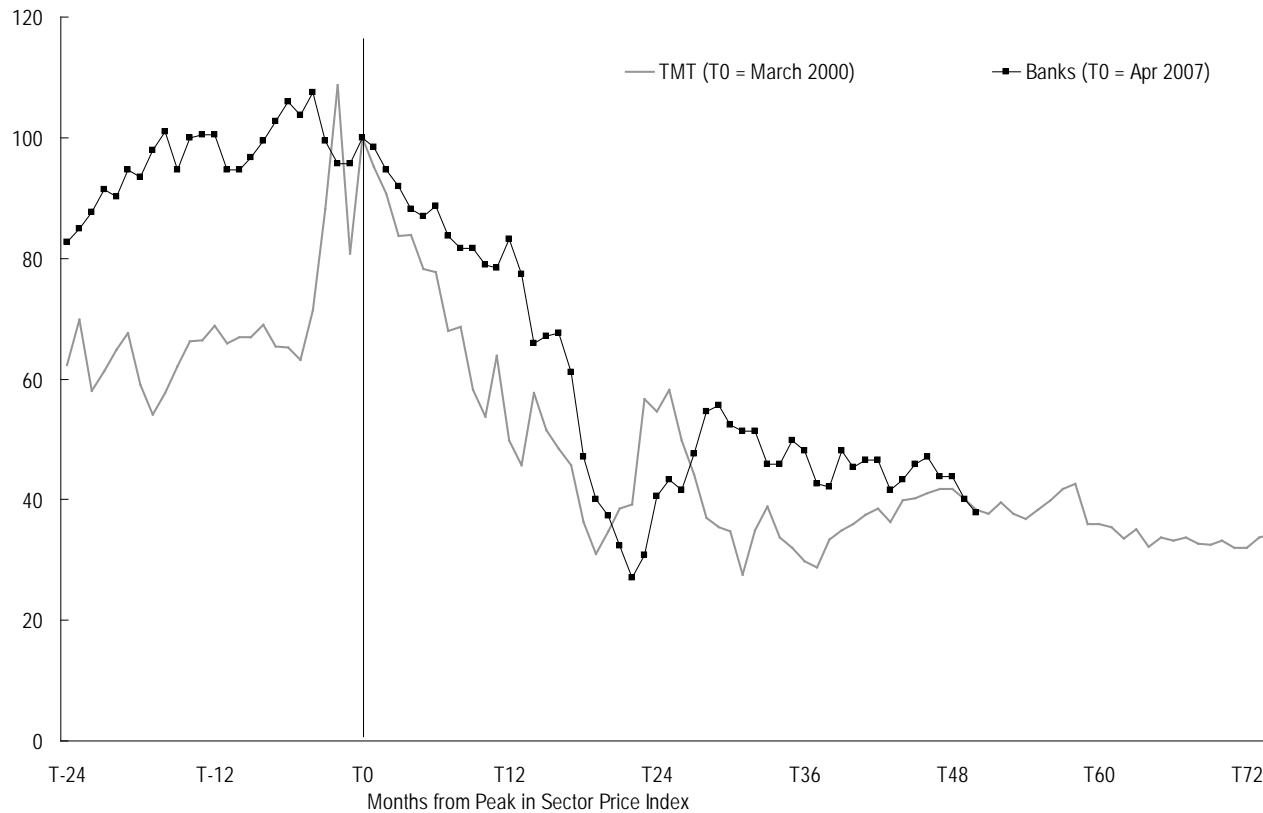
What are you Investing in?



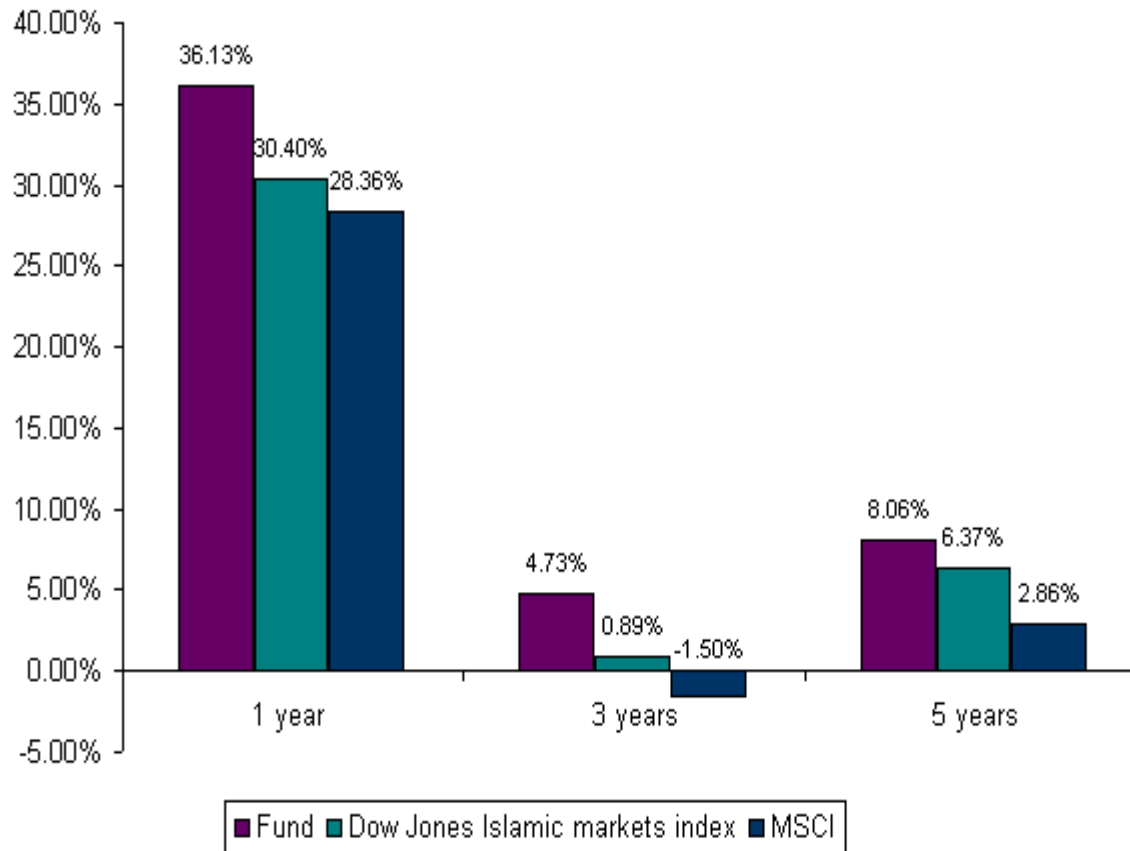
Investment universe characteristics – Sector holdings



How long will financials underperform?



Islamic Global Equity Fund



15 Source: SWIP, 31 May 2011. Net of fees. The value of your investment is not guaranteed and can go down as well as up depending on investment performance. You may not get back the amount you invested. Past performance is not a guide to future performance.

Summary

- ▶ Give our customers what they want
- ▶ Robust compliance
- ▶ Global best Ideas
- ▶ Experienced team In specialist area
- ▶ Proven track record

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Appendix A - Board of Scholars biographies

- **Sheikh Nizam Yaquby** is a member of the Shariah Committee for several Islamic financial institutions. He has received an MSc in Finance (Canada) and is based in Bahrain. He has been a Professor of Tafsir, Hadith and Fiqh in Bahrain since 1976 and is the author of several articles and publications on Islamic finance in English and Arabic;
- **Dr Muhammed Imran Ashraf Usmani** holds a PhD in Islamic Finance. He has also obtained degrees in Islamic Jurisprudence from Karachi. Dr. Usmani is a faculty member of the Jamia Darul Uloom, Karachi and Institute of Business Administration (IBA), Karachi as well as the author of various books on Shari'ah;
- **Mufti Abdul Kadir Barkatullah** is the Imam at the North London Finchley Mosque. He acquired a Mufti (diploma) in Islamic law and Fazil (Bachelor of Islamic studies) from the Islamic University, India. He also works as a supervisor at the Islamic helpline for Fatwa and as a presenter at Vectone Urdu
- **Muhammad Nurullah Shikeler** is a Barrister-at-Law and Imam at the Tunbridge Wells Mosque. He received a LLB degree from London Guildhall University. He advises individuals and businesses on Islamic finance.

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The value of your investment is not guaranteed and can go down as well as up depending on investment performance. Past performance is not a guide to future performance. Furthermore, for non-sterling denominated investments, currency movements may cause an additional favourable or unfavourable change in value. Due to the above factors, you may get back less than you invested.

Investment markets and conditions can change rapidly and as such the views expressed should not be taken as statements of fact, nor relied upon when making investment decisions. Smaller companies may be less well established and carry a higher degree of risk than larger companies.

Forecasts are opinion only, cannot be guaranteed and should not be relied upon when making investment decisions.

Funds under management are an internal estimate.

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