

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Shariah Compliance Report
EDGE AL-AMIN SHARIAH CONSUMER FUND
For the year ended June 30, 2024

EDGE Al-Amin Shariah Consumer Fund (EDGEALAMIN) is an open-ended mutual fund that is professionally managed by EDGE AMC Limited with guidance from the Shariah Advisory Committee (SAC) which comprises the following members:

1. Professor Dr. Md. Sadiqul Islam
2. Mufti Abdullah Al Masum (CSAA)
3. Mufti Zubair Abdullah (CSAA)

The primary objective of the fund is to maximize risk-adjusted return for unitholders by investing in a portfolio of Shariah-compliant securities issued by the governments, consumer-oriented corporate entities, and NGOs based in Bangladesh. The fund invests in Shariah-compliant common equities, initial public offerings (IPO), quasi-equity securities, Shariah-compliant money market instruments, deposits, Islamic bonds, and sukuku, as per guidelines set by the Shariah Advisory Committee.

The SAC has already prepared a [Shariah Charter](#) for EDGE Al-Amin Shariah Consumer Fund (available on the website of EDGE AMC Ltd at www.edgeamc.com) which sets forward the guidelines for investment in both the capital market and money market of Bangladesh. The compliance report is prepared regarding the investment and financial activities of the fund and presented to the unitholders of the fund.

Investment in Capital Market

The fund has a total investment of BDT 65.9 million (in market value) in listed securities and 2.6 million in Islami Sukuk as of June 30, 2024. All the investments are made as per the guidelines already set in the [Shariah Charter](#) which screens the investment broadly in two criteria:

Sl. No.	Compliance Criteria	Guideline for the compliance	Status
	Business Activities-Based Screening	<p>The basic business of the investee company should be consistent with the Shariah Law. Although no universal consensus exists among contemporary Shariah scholars on the prohibition of companies, most Shariah Boards have advised against investment in companies involved in the activities of:</p> <ul style="list-style-type: none">▪ Advertising and Media▪ Alcohol▪ Embryonic or stem cell research and cloning▪ Financials (Conventional Banks, Insurance and Leasing/Finance Companies)▪ Gambling▪ Pork▪ Pornography▪ Tobacco	Complied

Sl. No.	Compliance Criteria	Guideline for the compliance	Status
02.	Accounting - Based Screening	<p>After removing companies with non-compliant business activities, the rest of the companies are examined for compliance in financial ratios, as certain ratios may violate compliance measurements. Three areas of focus are leverage, cash, and the share of revenues derived from non-compliant activities. All of these are subject to evaluation on an ongoing basis. Currently below mentioned standards are used for screening:</p> <ul style="list-style-type: none"> • Leverage Compliance: Interest-bearing debt to total MCAP** (Avg of 36 Months <25%) • Cash Compliance: - i. Accounts Receivables/MCAP (Avg of 36 Months <49%) ii. (Accounts Receivables + Cash)/MCAP (Avg of 36 Months <49%) • Share from non-compliant activities: i. (Cash + interest-bearing securities)/MCAP (Avg of 36 Months <30%) ii. (Non – Permissible income including interest income)/Revenue <5% <ul style="list-style-type: none"> ▪ (Non – Permissible income including interest income)/Total assets <15% 	Complied (Investment made as per SAC approved Shariah Charter)

**** MCAP = Market capitalization**

Investment in IPO

During the fiscal year that ended in June 2024, seven companies raised subscriptions for IPO. As per the guidelines of the Shariah Charter and based on the nature of the fund, the fund only applied for one IPO – Agro Organica PLC.

Sl.	Name	Size (BDT Mn)	Board	Subscription Period	Investment
01	Best Holdings Limited (Book Building)	3,500.0	Main	Nov 2023	No
02	Agro Organica PLC	50.0	SME	Dec 2023	Yes
03	Sikder Insurance Company Ltd	160.0	Main	Dec 2023	No
04	NRB Bank Ltd	1,000.0	Main	Feb 2024	No
05	Web Coats PLC	50.0	SME	Feb 2024	No
06	Craftsman Footwear and Accessories Ltd	50.0	SME	Apr 2024	No
07	Techno Drugs LTD	1,000	Main	Apr 2024	No

Investment in cash/money market instrument

The fund has banking operations with the following banks to carry out day-to-day activities and raise new subscriptions from investors: (i) Midland Bank - Salam Islamic Window, (ii) Shahjalal Islami Bank, and (iii) Mutual Trust Bank - Yaqeen Islamic Window. The fund keeps balance with Mudaraba Special Notice Deposits (MSND) accounts as well as current accounts in those banks. In addition, the fund also invested in Mudaraba Term Deposit (MTD) of DBH Finance – Shariah Finance Wing after getting approval from the SAC.

Breakdown of Total Income	30-Jun-24	30-Jun-23
Profit earned from Deposits	4,135,461	4,015,262
Profit earned from Islami Sukuk	18,633	-
Capital loss on sale of marketable securities	(1,925,971)	(177,299)
Dividend income	3,199,217	2,035,116
Unrealized (loss)/gain on securities	(5,783,086)	412,537
Total Income	(355,747)	6,285,616

The table above shows the fund's total income breakdown for FY 2024. The fund actually experienced negative revenue of BDT 355,747 for the period ended on June 30, 2024. This was primarily due to net losses in the capital market, which amounted to BDT 4,509,841 (Realized capital loss of BDT 1,925,971; Dividend Income 3,199,217 and Unrealized loss of BDT 5,783,086). While the company generated BDT 4,154,094.00 in profit from money market instruments, it was insufficient to offset the capital market losses.

Details of the profit earned from deposits are given below:

Profit on Mudaraba Special Notice Deposits (MSND)	BDT
Midland Bank - Salam Express Corporate Account	1,028,682
Mutual Trust Bank – Al Wadee’Ah Current Account	142,467
Shahjalal Islami Bank Limited - Mudaraba SND	19,006
Total	1,190,153

Profit on Mudaraba Term Deposit (MTD)	BDT
DBH Finance PLC -01, MTD No: 27100105	424,757
DBH Finance PLC -02, MTD No: 27100106	424,757
DBH Finance PLC -03, MTD No: 27100107	424,757
DBH Finance PLC -04, MTD No: 271001010	324,454
DBH Finance PLC -05, MTD No: 271001026	386,676
DBH Finance PLC -06, MTD No: 271001027	386,676
DBH Finance PLC -07, MTD No: 271001028	386,676
DBH Finance PLC -08, MTD No: 271001038	97,639
DBH Finance PLC -09, MTD No: 271001045	88,917
Total	2,945,306

Total Profit Earned on Deposits	4,135,461
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Thoughts on the “Investment Income/ Profit Earned on Deposits”

The above-mentioned deposits were kept in the most compliant Islamic banks or Islami banking window of conventional banks and NBFIs of the country. Even with such rigorous supervision, the SAC observes that 100% compliance to Shariah Law by a specific depository organization has dependencies on how financial market and economic system of the country is organized which is beyond the control of any single entity. And, hence sometimes even the most compliant Shariah-based bank/ Islami-banking window/ NBFIs may not fully adhere to all the Shariah rules, all the time. Unitholders with more precautionary perspective should seek Shariah advice from competent Shariah-scholar (Mufti) on their own based on the data presented above.

Dividend Income & Purification

Purification is the cleansing process that removes any impure returns that is not permissible under Shariah Law and disposes of the non-permissible portion through a donation to the charitable organization. Dividend income totaled BDT 3.2 million during the year, out of which BDT 3.0 million was received. As per the guidance of the SAC, the purification process will take place while receiving the dividends and the purified amount will be set aside in a separate bank account while donation will be carried out on a semi-annual basis. For the year ended June 30, 2024, BDT 70,388 has been set aside based on the dividend amount received.

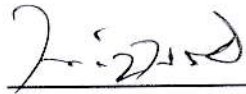
Out of the total amount of BDT 70,388.00, BDT 62,991.00 has been donated together with last year's remaining balance of BDT 40,665.01 (charitable donations totaling BDT 103,656.01). The amount was authorized by SAC and donated equally among four organizations during the 2023-24 fiscal year. BDT 7,396.56 balance is remaining in the purification account.

Name of the Stock	Type of Income	Income Earned	Purification ratio	Required Purification Amount
Berger Paints Bangladesh Ltd.	Cash Dividend	120,000	0.52%	626
The IBN SINA Pharmaceutical Industry PLC	Cash Dividend	271,854	0.00%	12
Renata Limited	Cash Dividend	38,000	0.08%	32
Square Pharmaceuticals Limited	Cash Dividend	1,260,000	4.66%	58,746
Bangladesh Submarine Cable Company Limited	Cash Dividend	102,000	3.50%	3,575
Grameenphone Limited	Cash Dividend	138,363	0.22%	308
LafargeHolcim Bangladesh Limited	Cash Dividend	1,200,000	0.59%	7,089
		3,130,217		70,388

The dividend purification ratio (Total Non-Permissible Revenue/Total Revenue) is calculated internally on an annual basis (after the publication of audited financial statements) and approved by the Shariah Advisory Committee of the fund.

AAOIFI-recommended Purification

In addition to the purification already provided for, the SAC also suggested to disclose the purification amount using the Accounting and Auditing Organization for Islamic Financial Institution (AAOIFI) recommended methodology. Instead of focusing on the dividend amount that is disbursed by the investee companies at the end of the fiscal year, AAOIFI recommends the purification of all non-permissible income regardless of whether the company pays dividends or not. Based on the AAOIFI recommended methodology, the dividend purification amount would be BDT 1,878,242 based on investment in equities during the full year of FY 2024. As per outstanding units of the fund as of June 30, 2024, this purification amount would be BDT 0.13 per unit for investors holding units for the full year. Investors who invested/ redeemed in different periods can calculate the pro-rata amounts if they want to follow the AAOIFI method, the most conservative Shariah methodology for dividend purification.



Dr. Md. Sadiqul Islam

Member



Abdullah Al Masum

Member



Zubair Abdullah

Member