



# BSE TASIS SHARIAH 50 Index

## ABOUT THE INDEX

The Bombay Stock Exchange (BSE) and Taqwa Advisory and Shariah Investment Solutions (TASIS) have partnered to develop the first Shariah compliant equity index in India constructed using the strict guidelines and local expertise of a domestic, India-based Shariah advisory board. The BSE TASIS Shariah 50 index consists of the 50 largest and most liquid Shariah compliant stocks within the BSE 500.

TASIS employs a strict, proprietary screening process their access to and deep local knowledge of listed Indian companies to ensure that all stocks included within the Shariah 50 are strictly compliant with Islamic Shariah law. TASIS has adopted financial screening norms that are more conservative than its peers, making the product ideal for Islamic investors seeking investments that adhere to the strict, conservative Shariah compliance norms.

Additionally, the Shariah 50 is the first Shariah compliant equity index in India to be publically disseminated on a real-time basis, providing a new tool for use by Islamic and other socially responsible investors to track the performance of India's largest and most liquid Shariah compliant stocks. The index can be licensed for the construction of Shariah compliant financial products including mutual funds, ETFs, and structured products.

The Shariah 50 is also India's first equity index to employ index constituent weight capping. Index constituent weights are capped at 8% at rebalancing, in an effort to increase the diversification within the index and ensure greater compliance with international regulatory and statutory investment guidelines.

## INDEX DESCRIPTION

The BSE TASIS Shariah 50 tracks the performance of the 50 largest and most liquid Shariah compliant listed companies in India.

Index Parameter	Description
Name	BSE TASIS Shariah 50
Shariah Advisor	TASIS
Constituents	50 ( <i>less exclusions</i> )
Capping	8% max scrip weight
Base Index	BSE 500
Base Value	1,000 ( <i>as on 1/1/2008</i> )
Shariah Reviews	Monthly ( <i>drop only</i> )
Rebalance Reviews	Quarterly ( <i>add/drop</i> )

## SHARIAH SCREENING PROCESS

BSE has partnered with TASIS, the premier Indian Shariah advisory firm to ensure that all stocks included in the BSE TASIS Shariah 50 meet the strictest possible Shariah compliance norms. Screening includes:

- Business Screening:** Ensures that companies selected are in businesses that do not harm society per Shariah law
- Interest Activity Screening:** Ensures that companies involved in interest-bearing activities are within Shariah tolerance levels

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## FREQUENTLY ASKED QUESTIONS

### 1) What is Shariah compliance?

Islamic law does not permit investors to invest in companies that derive significant benefit from interest or the sale of other goods/services deemed sinful within the Islamic faith (e.g. alcohol, tobacco, firearms, etc.)

Shariah compliant companies included in the BSE TASI Shariah 50 have been screened by TASI, to ensure compliance with Islamic canonical law.

### 2) What is the benefit of a Shariah compliant index?

Shariah compliant indices can be used to construct Socially Responsible Investment (SRI) products that are attractive to investors who do not wish to invest in stocks of companies that engage in activities that they deem to be against their beliefs. These products are particularly attractive to Islamic investors, as these instruments allow followers of the Islamic faith to invest without violating their religious principles.

Several prominent studies in recent years have identified the fact that Muslim participation in India's financial system is minimal. The Sachar Committee Report (2006) found that nearly 50% of India's Muslim population was excluded from the formal financial sector.

The creation of the index will help promote financial inclusion of the Muslim population in India and attract investment flows from international funds that must adhere to Shariah norms.

### 3) How are stocks screened for Shariah compliance?

Stocks are screened for Shariah compliance by TASI using a conservative approach which screens for business activities that are non-Shariah compliant and for compliance measures meant to eliminate companies that benefit substantially from interest-bearing activities. More detail can be found in the BSE TASI Shariah 50 Index Methodology document.

### 4) How often are stocks reviewed for compliance?

Stocks are reviewed monthly for Shariah compliance.

### 5) How has the Shariah 50 performed historically?

Extremely well. The Shariah 50 has outperformed the SENSEX by nearly 25% and the BSE 500 by over 30% over our back-test horizon (beginning 1/1/08).

Over this period, annualized volatility for the Shariah 50 was also less than both SENSEX and the BSE 500 by nearly 5 percentage points.

### 6) How often are modifications made to the index?

Stocks are screened monthly for Shariah compliance at which time non-compliant stocks will be removed from the index. On a quarterly basis, stocks will be added to bring the index constituent count back to 50.

### 7) Why are stock weights capped at 8%? How often does this capping occur?

The Shariah 50 is the first Indian index to utilize stock-level capping, which increases diversification and makes related products more attractive to international investors subject to regulatory and statutory diversification requirements.

### 9) I am not a Muslim. Is the Shariah 50 index of any use to me?

Yes. Socially responsible investors of any faith may find this index and related investment products useful as companies deemed to be socially harmful are removed from the index.

### 8) Where can I learn more about TASI?

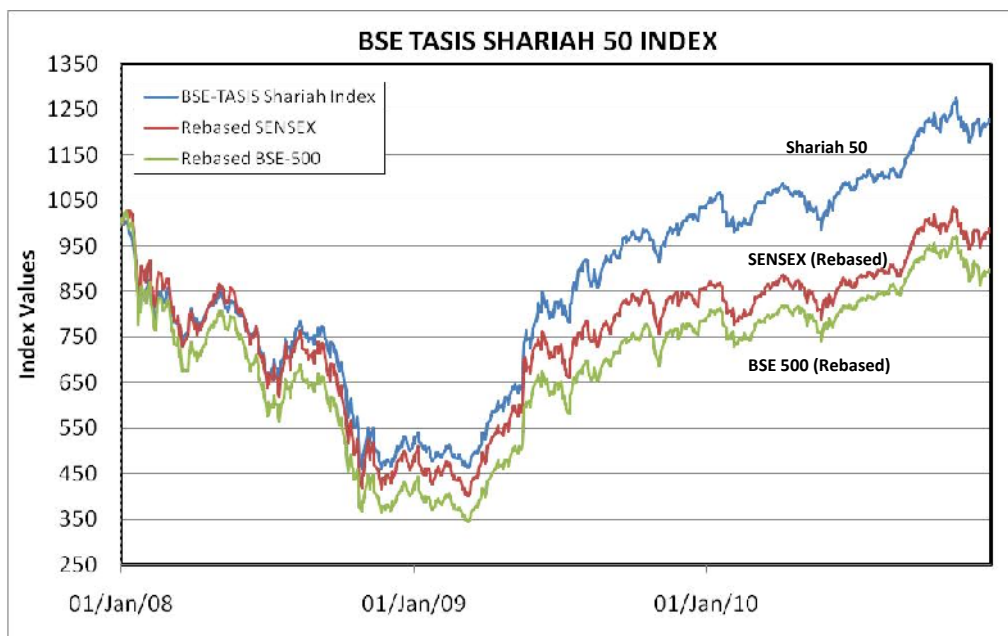
To learn more about our Shariah advisory partner, TASI, and to download a report on the state of the Islamic Finance industry in India, please visit:

**Tasi Website:** [www.tasi.in](http://www.tasi.in)



## BACKTEST PERFORMANCE

BSE and TASI have conducted a back-test of the index from a start date beginning 1/1/2008. The relative performance of the BSE TASI Shariah 50 relative to the SENSEX and BSE 500 are shown below.



Returns	BSE TASI Shariah 50	SENSEX	BSE-500
YTD (Jan-Dec 22, 2010)	18.16%	14.61%	13.77%
1 year (23-Dec-09 to 22-Dec-10)	21.59%	19.91%	18.20%
2 years (23-Dec-08 to 22-Dec-10)	132.67%	101.60%	112.13%
Since start date (Since 01-Jan-08)	22.77%	-1.40%	-10.12%

Volatility	BSE TASI Shariah 50	SENSEX	BSE-500
Annualized Volatility (Since 01-Jan-08)	28.01%	34.41%	32.97%

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