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An Investor's Guide

Almalia Sanlam Active Shariah Global Equity UCITS ETF

2020

Introduction to the Almalia Sanlam Active Shariah Global Equity UCITS ETF

The Almalia Sanlam Active Shariah Global Equity UCITS ETF (AMAL) aims to achieve capital growth over the medium to long term, whilst complying with the principles of Shariah investment law.

The fund invests in 20 to 35 best-in-class, high quality companies with strong growth prospects. These companies:

- Have the potential for high returns on capital
- Are not highly leveraged, meaning they do not have large amounts of debt
- Have sustainable business models and a strong competitive advantage, which makes them more able to endure market downturns
- Produce significant free cash flow after capital expenditure.

The fund exhibits the four main features of Islamic financial products: it is asset backed, ethical, shares risks equitably and is subject to good governance. It is unconstrained by the benchmark, which means the fund manager can make investment decisions according to the prevailing market conditions.

When you trade ETFs your capital is at risk.

What is an ETF?

This fund is an ETF (Exchange Traded Fund) which means it can trade on the stock exchange, just like any other stock and has a value that goes up and down depending on market conditions. For more information on the benefits of an ETF, please refer to the section below: **"Why trade active ETFs?"**

Why Invest in the Almalia Sanlam Active Shariah Global Equity UCITS ETF?

The Almalia Sanlam Active Shariah Global Equity UCITS ETF (ticker: AMAL) is the world's first active global equity Shariah-compliant ETF[1]. It is actively managed by a highly experienced team from Sanlam Investments, who have an award-winning track record[2] in managing global equities dating back to April 2008.

The fund is managed by Pieter Fourie, Head of Global Equities at Sanlam Investments - an industry veteran with over 22 years' experience in managing money. Pieter is supported by a team of six investment professionals who work hard to invest with the same quality investment process that has remained unchanged since inception of the strategy.

The fund is fully Shariah compliant and is reviewed by a panel of Shariah scholars from Amanie Advisors with expertise in Islamic finance. They review the proposed equity securities and the ongoing compliance of the ETF's operations to ensure it remains ethical and subject to good governance under Islamic law.

[1] Source: ETFGI as of 01.09.20
[2] High Growth Portfolio Performance at PAM 2020 Awards. See 'Awards and accolades' for further details

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The Investment Philosophy

While always complying with the rules of Shariah investment, the Almalia Sanlam Active Shariah Global Equity UCITS ETF -AMAL will also adhere to Sanlam Investment's flagship $1.8 billion Global High Quality strategy and will follow the same quality philosophy to stock selection.

This philosophy aims to generate consistent and sustainable market-beating returns by:

1. Investing in 20 to 35 high quality and attractively priced global companies that are best-in-class and have strong growth prospects.
2. Remaining unconstrained by the benchmark, enabling the fund manager to make decisions according to the prevailing market conditions.
3. Having a robust and differentiated approach which sets it apart from other investment managers due to its valuation-driven ethos to bottom-up stock selection.
4. Not buying quality at any price and using an in-depth qualitative and quantitative analysis to determine what should be paid for a company.
5. Understanding the durability of a company's competitive advantage.

This differentiated approach allows the team to take advantage of the inherent short-termism in markets where an asset's value may be temporally depressed. They have an investment horizon that is longer than many in the market and this gives time for fundamental quality to assert itself into a share price.

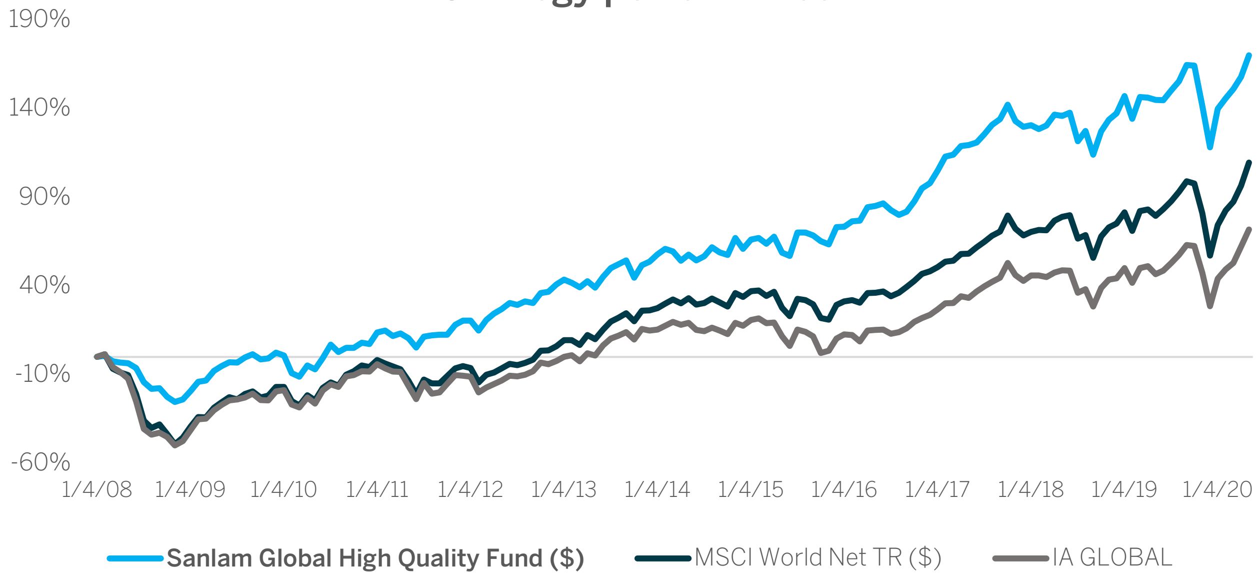
Track Record and Performance

The long-term track record of Sanlam's Global Equity Team shows an understanding of risk, valuations, and when to exit overvalued businesses. The strategy works on the premise that an active management framework is appropriate in a market where nominal returns will be lower than the last 10 years.

The fact that the strategy has consistently outperformed the industry benchmark for 12 years (see graph below) goes some way to prove that a disciplined investment process, adhered to despite a turbulent macro environment, combined with active management that focusses on quality and bottom-up stock selection to construct a portfolio held for the long-term, can produce sustainable returns.

The Almalia Sanlam Active Shariah Global Equity UCITS ETF -AMAL will follow the same investment strategy.

Sanlam Global High Quality Strategy performance



	1 year	3 year	5 year	7 Year	10 Year	Since Inception
Strategy*	**4.7%**	**17.8%**	**53.6%**	**80.6%**	**170.6%**	**157.8%**
MSCI	7.2%	24.3%	43.7%	74.8%	150.3%	96.5%
IA Global	7.3%	20.8%	35.8%	58.9%	110.2%	62.2%

Past performance is no guarantee of future performance

* The performance data above represents the Sanlam Global High Quality Strategy –not the performance of the Almalia Sanlam Active Shariah Global Equity UCITS ETF. The comparison index is the MSCI World Index with net dividends reinvested. Sector is the IA Global

Sources: SPW UK, Bloomberg, USD returns since strategy inception on 30 April 2008 to 30th June 2020

Where this strategy is acquired through a portfolio management service, additional charges may be applied by the portfolio manager. The comparison index is the MSCI World Index with net dividends reinvested.

Basis: GBP C share class (Base currency and class) shown in USD. NAV based, total return (net of fees). The High Quality Strategy was launched on 28.02.2014 and therefore no earlier UCITS Fund performance numbers are available

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product. Period: 30.04.2008 to 30.06.20 represents a composite of the manager's global equity track record.

Past performance is no guarantee of future performance. Performance from 30.04.2008 to 31.08.2012 is that of the ACPI segregated global equity mandate after all fees including transactions fees. From 31.08.2012 to 30.09.2012 is that of the MSCI World Index while the manager transitioned to the Sanlam group and from 30.09.2012 to 28.02.2014 is that of the Sanlam Private Wealth Global Equity Diversified Portfolio (net of all costs including transaction fees).

ACPI Investment Managers is an independently owned investment management partnership. Past performance should not be taken as an indicator of future performance. Since investors may be liable to external fees, charges and taxes, the illustrated returns are not meant to provide a measure of actual return to investors. Class C shares are only available to those investors who have a separate investment management mandate with the Investment Manager.

Experience in Shariah Investments

Sanlam have prior experience in Shariah Investments, with a member of the team previously co-managing a Shariah portfolio in South Africa. Sanlam are responsible for interaction with the Shariah advisors, and work with them to ascertain the compliance of all companies held within the portfolio.

Awards and Accolades

Since inception, the Sanlam Global High Quality Fund has continued to amass industry awards and accolades. Amongst its many honours are consecutive 'Best Fund' awards from the City of London Wealth Management Awards (2017 and 2018), the High Growth Portfolio Performance Award at the 2018 and 2019 Private Asset Management (PAM) Awards and the Long Only Equity Fund – Long Term Performance award at the 2018 Investors Choice Awards. It was also the recipient of the Best Fund Manager at the 2018 European Wealth Briefing Awards and has twice consecutively achieved FE Alpha Manager status in 2019 and 2020. In July 2020, the fund was recognised as a "Top Performer" by a highly distinguished industry body and in the same month received its third High Growth Portfolio Performance win at the 2020 PAM awards.

A Rigorous Approach to Investment

Sanlam's Global Equity Team will employ the same disciplined investment strategy and approach to the Almalia Sanlam Active Shariah Global Equity UCITS ETF -AMAL as it does to their Global High Quality Fund.

Portfolio Construction

The approach flows through from generation of stock ideas to analysis and portfolio construction. They research and identify individual shares that creates a high conviction, concentrated global equity portfolio. Through a quantitative screening process and rigorous, fundamental bottom-up analysis, they identify businesses which contain many, if not all, of the following traits:

- sustainable, durable franchises that are difficult to replicate
- strong market share in their principal product and/or service lines and competitive moats
- a clear and sustainable growth profile
- strong management teams and owner managed characteristics

The quantitative screening process looks at individual metrics to filter down the universe to a more manageable list of potential stock ideas. This is based on, but not limited, to the following:

- historic and sustainable revenue and free cash flow growth profile
- attractive gross and operating margins
- a high free cash flow conversion rate
- low financial leverage
- relatively low capital expenditure requirements
- ability to maintain attractive returns on capital

The strategy seeks businesses with shareholder friendly management teams that typically act with the following behaviours:

- focus on disciplined capital allocation to generate appealing capital returns and profitability
- able to generate significant free cash flow enabling increasing distributions to shareholders through dividends and/or share repurchases
- making synergistic acquisitions that produce long-term growth

In-depth analysis calculates an intrinsic value for an individual business based on long-term fundamentals. An unconstrained, global universe means the fund can invest in the best opportunities worldwide whilst adhering to the principles of Shariah compliance.

The strategy has a low turnover bias, meaning the fund manager will not be regularly buying and selling stocks, but the amount of each stock is actively managed according to the prevailing price and perceived intrinsic value placed on each share.

The Benefits of Active Management ETFs

That said, an active management approach allows the strategy to take advantage of volatility or periods of market stress to purchase shares in quality businesses at attractive entry points and exit them when valuations are too high and returns are deemed to be unsustainable. However, great businesses will not be sold just because they are overvalued. To sell a great business, the margin of safety needs to be very low. A bottom-up, unconstrained approach to building the portfolio allows for positions to be held at weights deemed most appropriate in terms of risk-reward trade off. For example, top positions may not necessarily reflect those companies that display the best absolute upside on a like-for-like basis versus other stocks in the portfolio. Instead, top positions reflect a combination of upside and risk-reward characteristics, which are dynamically assessed, with changes made as and when deemed appropriate.

Due to the relentless focus on quality and bottom-up stock selection, the strategy typically ends up with a differentiated composition in terms of both geographic and sector make-up versus the world market. The fund tends to favour industries that grow faster than the market over time such as the consumer sectors, technology and healthcare. This also means avoiding parts of the market which typically have not performed well over time, such as financials and energy. As long term investors, the focus remains on those companies which can deliver earnings growth at an attractive return of capital for many years, if not decades; qualities which are not typically exemplified by companies in either the energy or financial sectors for example. There is a distinct alignment between this manner of quality investing and Shariah principles, namely the exclusion of companies with high levels of borrowing; one of the main indicators typically used to assess the quality of a company in a factor exposure sense.

As with all ETFs, when you invest in active ETFs your capital is at risk.

An Ongoing Investment Process

The team's aim is to seek undervalued opportunities from the global markets that have long-term potential in line with their quality criteria. To this end a robust and repeatable investment process is employed:

Generate ideas

- Screen all companies based on a range of measures including compliance with the Principles of Shariah Investment
- Meet company managers and investor relations teams
- Explore additional sources of research

Analyse fundamentals

- Rigorous and detailed bottom-up company analysis

- Forecast and model key expectations
- Look for strong and sustainable competitive advantages
- Focus on the long-term potential and value of the business

Manage investments

- Active management by constantly reviewing the investment thesis
- Understand the balance between risk and reward
- Buy and sell discipline based on fundamental valuation
- View risk as the permanent loss of capital

Generation of stock ideas

- Screening process based upon a range of metrics
- Meetings with company management and investor relations
- Utilise external and sell-side research sources

Fundamental analysis

- Rigorous and detailed bottom-up company analysis
- Focus on the capital structure of the business
- Look for strong and sustainable competitive advantages
- A strong and growing free cash flow trend over time

Portfolio construction

- Active management, constantly revisiting the thesis
- Understanding of risk-reward trade-off
- Buy and sell discipline based on fundamental valuation
- Risk is viewed as a permanent loss of capital\

Shariah Compliant ETF: Screening and Compliance

The fund aims to achieve capital growth over the medium to long term, whilst complying with the principles of Shariah Investment.

A [Shariah compliant investment]() must still qualify as a suitable investment as per the team's definition of quality. Thus, this Shariah compliant ETF will continue to invest only in companies that have the same quality characteristics befitting of the Global High Quality team's investment philosophy. The exclusion of companies with excessive borrowing aligns well with one of the main indicators of determining the quality of a company. The investment approach will not be compromised, a feature that differentiates it from competitors and has contributed to its current track record.

To ensure the funds on-going compliance with the Principles of Shariah Investment, it will be overseen by a Shariah Panel of scholars from Amanie Advisors with deep expertise in Islamic Investments.

Its primary duties and responsibilities are to:

1. Advise, on a non-discretionary basis, on the Shariah aspects of the ETF,
2. Issue an opinion, by way of a Fatwa, ruling or guidelines as to whether the activities of the ETF comply with Shariah; and
3. Make recommendations or provide guidance as to how the ETF could be made Shariah compliant.

The methodology for the Shariah screen will follow Shariah investment principles and does not allow investment in companies that are directly active in, or derive more than 5% of their revenues from such business activities as alcohol, tobacco, pork-related products, conventional financial services, defence/weapons, gambling, or adult entertainment.

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If a company derives part of its total income from interest income and/or from prohibited activities, Shariah investment principles state that this proportion must be deducted from the dividends paid out to shareholders and given to charity. This is capped at 5% as in order for a company to be shariah compliant, it cannot derive more than this number from prohibited activities.

Therefore 5% of all dividends will be donated to charities approved by our Shariah board. This list currently stands as follows:

Save the Children

Children International

UNHCR – The UN Refugee Agency

Islamic Relief UK

UNICEF

Orphans In Need

In addition, Shariah principles do not allow investment in companies deriving significant income from interest or companies that have excessive borrowing. There are three ratios used to screen for such companies:

1. total debt over total assets
2. the sum of a company's cash and interest-bearing securities over total assets
3. the sum of a company's accounts receivables and cash over total assets. None of these financial ratios may exceed 33.33%.

Sustainability and ESG

Although Shariah and sustainable approaches to investing have developed independently, both look to bias investment in more sustainable outcomes and can be aligned in many ways. Many sectors that are excluded under Shariah law also score poorly on sustainability criteria.

As long-term fundamental investors, Sanlam Investments has always considered carefully those issues which may have an impact on the sustainability of returns over the medium to long term. This covers a wide range of potential risks including those coming under the Environmental, Social and Governance headings. With the primary objective of producing superior financial returns for its clients, its investment process takes ESG issues into account when they feel these may have a material impact on investment risk or return. Sanlam Investments believe that over the long term, integration of robust ESG policies make good business sense.

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Why Trade Active ETFs?

Innovation in investment is often associated with the creation of new exposures, new strategies and new asset classes – all of which are important in giving investors more choice in how they can construct a portfolio.

But equally importantly, there has been tremendous innovation in the way these investment ideas can be delivered to the investor. Over the last 20 years, ETFs (Exchange Traded Funds) have been the primary driving force that has created greater flexibility, easier market access and enhanced liquidity, growing to a $5 trillion industry in the process.

While ETFs have been commonly associated with index tracking / passive investment approaches, the power of the ETF wrapper is equally applicable to the active management space, combining the best characteristics of both worlds – high quality value adding active expertise and the transparency, liquidity, fungibility and trading optionality of an ETF.

By comparing the characteristics of ETFs and mutual funds in more detail, modern investors can understand the benefits of the **active ETF** wrapper:

- **ETFs are democratic:** No matter whether the investor is a large institution with billions of dollars, or an individual with a few thousand dollars, when they buy an ETF they both get exactly the same product with the same features and same costs. There are no separate share classes or 'institutional only' categories that create an uneven playing field in terms of cost, information or features.

- **ETFs are cost-effective:** ETFs are typically priced competitively relative to an equivalent mutual fund exposure. This means more money stays with the investor to work for them

- **ETFs are transparent**: it's important to know what you own and while most mutual funds only disclose their top 10 holdings on a delayed basis, ETFs typically publish a complete list of holdings and weights every day. This is especially important for investors with ESG concerns, who want to understand if the investments they choose align with their principles.

- **ETFs are liquid:** ETFs trade like shares on major stock exchanges – there is continuous two-way pricing provided by regulated market makers. This means that an investor can buy or sell an ETF at any time during the trading day at a 'live' price. This is in stark contrast to mutual funds which only trade once a day and typically at the previous day's closing value. For investors who want to manage volatile markets, ETFs provide a more responsive tool.

- **ETFs are easy to buy and sell:** Investing in mutual funds often comes with a lot of paperwork and is a slow process. However, ETFs can be traded via any normal brokerage account as easily as a share, meaning it's much simpler to buy, sell or dial exposures up and down to fine tune your portfolio

- **ETFs offer trading optionality:** ETFs are designed to be flexible and there are many ways to trade them, depending on the investors' needs. Examples include risk orders, limit orders, in-line volume orders, TWAP, VWAP, NAV and MOC. While these terms can be confusing, they offer the investor the ability to efficiently execute a trade depending on their size and market conditions. The key is to speak with the issuer's capital markets desk who can advise on the best approach

- **ETFs can be shorted and lent:** ETFs can be posted as collateral and lent to the market for shorting, giving investors important new tools to help them better manage risk or derive additional sources of income.

These qualities are found in almost every UCITS ETF and bringing them to the active management space in the form of an active ETF is an important new milestone for investors and asset managers alike.

With the Almalia Sanlam Active Shariah Global Equity UCITS ETF, investors benefit from accessing an experienced active management team offering a high-quality strategy with the efficiencies, flexibility and democracy that are inherent to the ETF structure.

Risks of investing in ETFs

However, as with all investments you should be fully aware of the risks of trading ETFs:

- When you trade ETFs, your capital is fully at risk
- Past performance is no guarantee of future performance
- Exchange rate fluctuations can have both positive and negative effects on returns

For a detailed list of risks, please consult the **prospectus**.

Investing in the Almalia Sanlam Active Shariah Global Equity UCITS ETF

In October 2020 HANetf launched the Almalia Sanlam Active Shariah Equity UCITS ETF in partnership with Almalia and Sanlam Investments. This is the world's first actively managed global equity ETF and is listed on the following European exchanges:

Exchange	Bloomberg Code	RIC	ISIN	SEDOL	Currency	TER
London Stock Exchange	AMAL LN	HAAMAL.L	IE00BMYMHS24	BMDNKB0	USD	0.99%
London Stock Exchange	AMAP LN	AMAP.L	IE00BMYMHS24	BMDNKC1	GBP	0.99%
Deutsche Boerse Xetra	ASWE GY	ASWE.DE	IE00BMYMHS24	BMWTXV0	EUR	0.99%
Borsa Italiana	AMAL IM	AMAL.MI	IE00BMYMHS24	BMWTXS7	EUR	0.99%

When you trade ETFs, your capital is at risk

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About Almalia

almalia

Almalia is a financial services group headquartered in the UK with a presence in the UAE. Almalia's core focus is providing innovation within Islamic finance, to create greater variety and global access to Shariah-compliant investment opportunities. This core focus is underpinned by two themes namely wealth creation and meaningful financial inclusion. www.almalia.com

About Sanlam

Sanlam Investments

Sanlam Limited is an international financial services group with a listing on the Johannesburg Stock Exchange and a market capitalisation of £10 billion. Established in 1918, the group provides a range of services to over 10 million clients globally, including insurance, financial planning, investments and wealth management.

As part of the Sanlam group, Sanlam Investments UK has the backing of a business that has a 100-year heritage in financial services, giving us the confidence to take a long-term view. Sanlam UK attained its size, strength and reputation by leveraging the benefits of having a large secure South African parent company while focusing on individual client service delivered locally in the UK.

- Experience matters: As an active investment specialist, their experience informs how they navigate complex and evolving markets. Their fund managers bring decades of experience through all market conditions. Collectively, they bring a high conviction approach sharply into focus with the flexibility to do what they do best - identifying new investment ideas and opportunities.
- Boutique ethos: Their investment teams are autonomous – there is no central house view. This gives them the freedom to look for distinct investment ideas in their area of expertise. With no collective view and no rigid hierarchy, their teams follow their own distinctive approach across their respective asset classes.
- Client-first thinking: They are committed to helping clients find active, high conviction sources of return within a sustainable, risk-controlled framework. They value a client-first approach, and their differentiated reward structure ensures they remain fully aligned and responsive to investors' evolving needs.

About HANetf

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HANetf is an independent provider of UCITS ETFs, working with asset management companies to bring differentiated, modern and innovative exposures to European ETF investors. Via our white-label ETF platform, HANetf provides a complete operational, regulatory, distribution and marketing solution for asset managers to launch and manage UCITS ETFs. www.hanetf.com

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HANetf ICAV is an open-ended Irish collective asset management vehicle which is constituted as an umbrella fund with segregated liability between sub-funds and with variable capital organised under the laws of Ireland and authorised by the Central Bank of Ireland. Investors should read the prospectus of HANetf ICAV ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in the Shares. Any decision to invest should be based on the information contained in the Prospectus and after seeking independent investment, tax and legal advice.

Past performance is not a reliable indicator of future performance. Any historical performance included on this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided on this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be affected by exchange rate movements. An investment in an ETF is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely.

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[ETFs involve numerous risks including among others, general market risks relating to the relevant underlying index, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks.]

Risk Factors

While the general risk factors set out in the section entitled Risk Factors in the Prospectus apply to the ETF, the following risk factors described in the Prospectus under the headings:

Absence of prior active market, Capital Controls and Sanctions Risk, Concentration Risk, Emerging Market Risks, Currency Risk, Interest Rate Risk, Liquidity of Investments, Small- and Mid-Capitalisation Risk, Political and/or Legal/Regulatory Risk, Regulatory Restrictions, Index Rebalancing and Costs Risk and Issuer-specific Risk are particularly relevant for the fund.

In addition, to the above, the following risks are also relevant to this ETF:

Sectoral Investment Risk: To the extent the ETF invests a significant portion of its assets in the securities of companies of a sector, it is more likely to be impacted by events or conditions affecting that sector. The ETFmay invest a relatively large percentage of its assets in sectors, including the consumer discretionary sector, the information technology sector and the financial sector, which sectors have tended to form a relatively large percentage of the Index. Further details of the specific risk relevant to these sectors are set out below.

Consumer Discretionary Sector Risk: This sector consists of, for example, automobile, media and retail companies. The consumer discretionary sector of the economy can be significantly affected by, among other things, economic growth, worldwide demand and consumers' disposable income levels and propensity to spend.

Information Technology Sector Risk: This sector can be significantly affected by, among other things, the supply and demand for specific products and services, the pace of technological development and government regulation. Challenges facing companies in the information technology sector include distressed cash flows due to the need to commit substantial capital to meet increasing competition, particularly in formulating new products and services using new technology, technological innovations that make existing products and services obsolete, and satisfying consumer demand.

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