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Russell-Jadwa Shariah Index FAQ

Product background

What is the objective of the Russell-Jadwa Shariah Index?

The Russell-Jadwa Shariah Index series offers investors accurate global equity market indices reflecting established Shariah investment guidelines. The series is designed to comprehensively emulate the Shariah compliant investable global equity market and its segments.

When will the Russell-Jadwa Shariah Index be launched?

The Russell-Jadwa Shariah Index and its subindices will be launched in mid to late summer. The index is expected to include approximately 2,700 securities from 60 countries, covering emerging and developed regions.

What initially led to the development of the Russell-Jadwa Shariah Index?

Russell and Jadwa Investment have worked together to fill a need for indices that offer the broadest and most accurate Shariah compliant opportunity set. The two companies are in a unique position to develop these new global equity benchmarks. Russell's leadership in the index industry and Jadwa Investment's extensive experience in Shariah compliant investing have enhanced the process of defining the best possible Shariah compliant investment universe.

Why are Russell and Jadwa ideally positioned to produce the world's most effective Shariah indexes?

Russell researchers meet with thousands of investment managers around the world to evaluate their investment processes and collect data on their portfolios. The indices were conceived from this rigorous research-driven, in-depth insight into investment manager behaviour. Globally, more than \$4.3 trillion is benchmarked against Russell indices.

Jadwa is a world-class investment bank rooted in Islamic values and committed to providing customized, Shariah compliant financial solutions for leading individuals and organizations. Its extensive knowledge has informed the creation of this new index series.

What are the key features of the Russell-Jadwa Shariah Index series?

- In keeping with Russell's innovative global methodology, the indices are created with a modular design that makes them easy to use and relevant to all asset classes. Developed, emerging, regional, cap size and style indices will be available, with no gaps or overlaps in coverage.
- As with all Russell indices, the series is constructed by use of a rules-based, transparent methodology, creating ideal benchmarks and trading vehicles. There is no sampling. The index membership reflects the actual market.

- Daily corporate actions, monthly share adjustments, quarterly IPO inclusions and annual total reconstitution ensure that the indices accurately represent the true opportunity set.
- The Russell-Jadwa Shariah Index series follows strict Shariah investment guidelines and will be screened quarterly for Shariah compliance.

How is the Russell-Jadwa Shariah Index unique?

- **Starts with the broadest universe.** The Russell-Jadwa Shariah Index is based on the Russell Global Index, which represents over 98% of the global investable universe. Because it starts from such a broad and deep foundation, the Russell-Jadwa Shariah Index covers the entire global universe of Shariah compliant securities.
- **Ensures comprehensive and modular coverage.** The Russell-Jadwa Shariah Index is completely modular — divisible by market capitalization, developed or emerging markets classification, region, country and sector. This approach results in an index, with a series of subindices, that is complete and comprehensive, with no gaps and no overlaps. Investors can at last be confident that they are truly benchmarking against the most appropriate comparative and representative index for their individual global Shariah portfolio — be it large cap, small cap or mid cap.
- **Global-relative design.** The Russell-Jadwa Shariah Index family is constructed with a global-relative design. Distinctively, it uses a single market cap break to determine which global companies are considered large cap and which are considered small cap. For example, Russell uses the same cutoff point in the United Kingdom as it does in Malaysia to establish a small cap company's status.

Shariah screening

What are the screens used to create the index series?

Specific-sector and financial-based filters are applied to exclude businesses that offer products and services considered unacceptable to or noncompliant with Shariah law. Certain types of businesses or business activities are excluded, including those related to: alcohol, financials, tobacco, production and distribution of certain meat products, weapons, stem cell/human embryo cloning, gambling, pornography and the trading of gold and silver as cash on a deferred basis. Companies will be excluded from the index if they obtain significant income from interest or leverage.

Additionally, the total return for any Russell-Jadwa Shariah Index reflects dividend purification. Any realized income from interest-bearing or non-Islamic revenue for an index member is purified daily.

How were the screens for the new index series developed?

In May 2009, a fatwa was granted confirming that the Russell-Jadwa Shariah Index methodology is in full compliance with generally accepted Shariah guidelines approved by a board of Islamic scholars. Russell and Jadwa will work closely with Ideal Ratings, a premier Shariah fund management and compliance rating agency, to determine which securities are eligible for the Russell-Jadwa Shariah Index series.

Is there an oversight board that will ensure adherence to Shariah compliant guidelines?

The index series is approved and monitored by a board of Islamic scholars to ensure full compliance with Shariah principles. The independent board includes some of the most highly distinguished and respected Islamic scholars in the field:

Sheikh Dr. Abdullah Al Mutlaq (Saudi Arabia)

Dr. Mohammed Daud Bakar (Malaysia)

Sheikh Dr. Mohamed Ali Elgari (Saudi Arabia)

Shaikh Esam Mohammed Ishaq (Bahrain)

Methodology

The Russell-Jadwa Shariah Index series uses the Russell Global Index series as its global stock universe for screening. How are the Russell Global Indexes constructed?

Russell Global Indexes screen companies for index membership by their total market capitalization. Index weights are then derived by float-adjusted market capitalization. All companies whose stocks are listed on eligible stock exchanges in eligible countries are considered for inclusion in the index. Minimum size constraints obviously contribute to the liquidity of the index and its components. Country inclusion rules assure the safety and stability of the overall investment environment. To further guarantee the investability of securities, Russell also defines a liquidity screen by use of the average daily dollar trading volume (ADDTV). For controlling information about the construction of the Russell Global Indexes, please see our Construction and Methodology document.

Will sectors also be available for the Russell-Jadwa Shariah Index series?

Yes. The Russell Global Sectors (RGS) classification scheme, a comprehensive sector scheme developed and maintained by Russell, is available as part of the index subscription. The GICS classification scheme will also be provided as part of the data file.

Can I get a copy of the Russell-Jadwa Shariah Index guidelines?

Yes. In support of our open and transparent index construction methodology, we are happy to provide this document to interested investors. A copy of the Russell-Jadwa Shariah Index guidelines will be available for download on our website at www.russell.com/indexes or from your Russell Indexes client service contact closer to our launch date later this summer.

**For more information about Russell Indexes call us or visit www.russell.com/indexes.
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