



AL RAYAN BANK



SHARIA COMPLIANCE GUARANTEED  
**Profit not interest**

Banking you can believe in

Discretionary Portfolio **Service**

Sharia compliant investments

[alrayanbank.co.uk](http://alrayanbank.co.uk)



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# An introduction to the Discretionary Portfolio Service

The Discretionary Portfolio Service (DPS) is provided by Praemium Administration Ltd. and accredited by Al Rayan Bank.

The DPS provides access to a series of investment portfolios which aim to generate profit from your wealth in a Sharia compliant and ethical way. These investments have the potential to exceed the returns offered by traditional cash deposit accounts.

The investment portfolios can be held within an Individual Savings Account (ISA) or a Self Invested Personal Pension (SIPP), helping your investments work harder for you, in a tax efficient manner.

# Why is it called a Discretionary Portfolio Service?

- ▶ The investment decisions are taken by a professional investment manager on your behalf.
- ▶ Each portfolio has its own investment goals and pre-defined investment strategy.
- ▶ The investment manager works to achieve these goals within the agreed remit.





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## Sharia compliant investment

As well as aiming to offer attractive returns, the DPS ensures that the portfolios you invest in are managed in a Sharia compliant manner.

The Sharia Supervisory Committee at Al Rayan Bank has approved the portfolios in the DPS and also acts as the Sharia authority for the investment manager, to ensure that the DPS remains Sharia compliant.

All of the investments in the DPS are Sharia compliant. The portfolio is audited to ensure that no income or investment growth is obtained through the payment of interest.

The portfolio is also audited to ensure that the investments do not derive income from prohibited activities. This includes the production and processing of pork products, gambling, alcohol and pornography.

## Independent financial advice

Before you consider investing via the DPS, or any similar investment, you should seek advice from an Independent Financial Advisor (IFA).

An IFA can help you understand your investment needs and recommend a course of action to achieve your financial goals. They can also help you to decide whether a service like the DPS is suitable for you, and the appropriate level of investment for your needs.

If you already have an IFA, you can speak to them about investing via the DPS.

Alternatively, Al Rayan Bank can put you in touch with an IFA who is experienced in Sharia investment choices and understands the additional needs of customers looking for a Sharia compliant investment.

**The advice and services offered by the IFA are totally independent of Al Rayan Bank PLC.**

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# The **partners** in the Discretionary Portfolio Service

The DPS is brought to you through the shared expertise of a number of key partners:



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## **Al Rayan Bank (formerly Islamic Bank of Britain, IBB)**

- ▶ IBB was established in 2004 as the first fully Sharia compliant, stand-alone, UK retail bank.
- ▶ Al Rayan Bank offers the largest range of retail Sharia compliant financial products in the UK, including a range of savings accounts, and finance products to help you buy or refinance your home.
- ▶ Al Rayan Bank provides the Sharia compliance oversight for the DPS.



### **Praemium Administration Ltd**

- ▶ Praemium Administration Ltd (Praemium) provides the investment management, and their role is to manage the portfolios to meet your investment goals.
- ▶ Praemium specialises in managing investment portfolios for a range of clients including individuals, companies, pension schemes and trusts.
- ▶ Praemium also acts as custodian of the assets and provides the administration of investment portfolios.
- ▶ Praemium has experience as investment manager to a range of multi-manager funds.



### **Praemium (UK) Ltd**

- ▶ Founded in 2001, Praemium (UK) Ltd provides the web based technology to administer the DPS.
- ▶ They administer over £40bn in assets across 300,000 accounts worldwide.
- ▶ Praemium (UK) Ltd works with established investment companies such as BlackRock Investment Managers Ltd and Cofunds.

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## Why invest via the DPS?

The DPS offers access to a range of investment portfolios, to match your appetite to risk. By investing your money through the DPS you have the potential to generate higher returns compared to traditional bank or building society deposit accounts, which are generally considered to be the most secure places for your money and can also offer you the easiest access.

However, if the returns on your cash savings are less than the increase in the cost of living (inflation), the purchasing power of your capital can be reduced.



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## Actively managing your portfolio

With investments such as those offered through the DPS, investors' contributions are managed in line with the chosen investment strategy. Contributions are invested by the investment manager into a portfolio of stocks and shares, and other assets such as property and commodities.

The investment manager's aim is to take advantage of the rising value of the assets. They also aim to generate dividend income on stocks and shares, and rental income on properties. These profits and income can be reinvested to maximise the value of your investment.

However, unlike a deposit account the value of your investment can fall as well as rise. Whilst you do have access to withdraw your money at any time, you should consider this as a medium to long-term investment to enable you to realise the benefits.

By accessing the investment expertise of an investment manager, you don't need to have the knowledge, time or confidence to actively manage your own portfolio.

## Sharia compliant investment

Al Rayan Bank has a dedicated Sharia Compliance Officer and a panel of Sharia Scholars called the Sharia Supervisory Committee, which acts as an independent body to ensure that all of Al Rayan Bank's products and services are Sharia compliant.

Therefore, the DPS is an opportunity to gain access to the potential rewards the stock market and other investments can offer, whilst remaining Sharia compliant.

## Choosing the right portfolio

Before you invest you need to decide:

- ▶ How much do you want to invest?
- ▶ For how long do you want to invest?
- ▶ What level of risk are you willing to take?

With a number of investment portfolios available, it's important to choose the right one for you. You should carefully consider your individual circumstances and financial objectives before you invest, as well as the level of risk you are happy to take with your capital – you will need to seek the advice of an IFA before you invest.

**Past performance is not a guide to future performance.  
The value of your investments can fall as well as rise. You may get back less than you originally invested.**

# Where is your money invested?

The investment manager will place all of the investors' money into different types of investment, which we refer to as assets.

Each asset belongs to an asset class, and each carries a different level of risk, and a different potential for return.

The major asset classes are:



## Cash

Cash is the least volatile form of investment but does not enable you to significantly grow your capital. Over the longer term, if the returns on your cash savings are less than the increase in the cost of living (inflation), the purchasing power of your capital can actually be reduced.

Cash, held within a Sharia compliant bank account is used as a short term place to hold your money whilst the investment manager decides where to place funds in the longer term.

## Commodities

A commodity is any basic good where there is no difference in quality between one company's product and another's. Income is made when commodities are sold at a higher price than the initial purchase price.

The commodities that may make up elements of one or more of the portfolios are precious metals, specifically gold, silver, platinum and palladium.





## Property

This includes commercial property with investment returns made from the rent paid by the tenants as well as any rise in the value of the property itself.

## Equities

Equities are more commonly known as shares and can suit investors who are looking to grow the value of their money over the longer term. Shares are ownership stakes in companies and are commonly traded on markets around the world.

Investment returns are made from company profits (paid as dividends) and from the gain made when shares are sold at a higher price than the initial purchase price. The more volatile nature of these investments means that they carry a higher risk than other types of investment.

Equity exposure is through the use of Exchange Traded Funds (ETFs) or other collective investments, which provide a diversified exposure to stocks and shares that have been screened for Sharia compliance.



## Sukuk

Sukuk are equivalent to bonds, and are issued in accordance with Islamic financial principles.

Islamic finance does not permit the payment of interest and therefore Sukuk are structured to ensure that no interest is paid between parties.

A conventional bond is a certificate which is issued that acknowledges the debt between two parties. A Sukuk acknowledges the partial ownership of a project, business or investment.

For example, Sukuk can work on a leasing basis where the Sukuk holders purchase a property for a business to lease; the business would pay rent on the property and promise to buy the property off the Sukuk holders at the end of the term.



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# A range of investment portfolios

There are five different investment portfolios within the DPS. Each of these has been designed to meet the varying needs of clients in terms of their risk profile, how long they wish to invest for and other individual circumstances.

Whilst all the portfolios can invest in the same asset classes, the contribution that different asset classes make to the overall portfolio will differ.

For example, higher risk portfolios such as the Growth or Aggressive Growth portfolios are likely to have more investment in equities than the less risky Defensive or Cautious portfolios, which will primarily invest in lower risk asset classes such as Sukuk.

The five portfolios are:



## **Defensive Portfolio**

This portfolio aims to minimise the risk of losing your capital. Returns are generated through exposure to a mixture of fixed income funds and a small exposure to physical commodities.

This is a low risk strategy, although clients should be prepared to take a small level of capital risk in return for the potential of higher growth than a cash investment.

## **Cautious Portfolio**

The Cautious Portfolio aims to generate returns through growth and income whilst minimising the risk of capital loss.

The portfolio will invest in equity funds, fixed income funds, physical commodities and real estate funds.

This is a lower risk strategy, although clients should be prepared to take some capital risk to achieve the prospect of higher growth than the cash equivalent.



### Balanced Portfolio

The Balanced Portfolio aims to generate a higher level of return than cash through a core exposure to equity investments.

As a large proportion of your capital will be invested in equity funds, clients should be prepared to take a medium level of risk in return for the potential to generate a higher level of growth than the cash equivalent.

### Growth Portfolio

The Growth Portfolio aims to generate a high level of returns by investing a substantial part of the portfolio in higher risk assets such as equities.

Clients should be prepared to see fluctuation in their investments as this portfolio contains more volatile assets. You should be prepared to risk some capital loss in return for the prospect of high returns.

### Aggressive Growth Portfolio

The Aggressive Growth Portfolio aims for the highest level of return by investing the entire portfolio in higher risk assets such as equities, except for a small working cash balance.

This portfolio can be highly volatile and whilst there is the prospect of significant returns, clients must accept fluctuations in their investment, along with an associated risk of capital loss.

**The investment mandate you receive prior to investing describes in more detail the investment policy and risk profile of each investment portfolio. Before deciding which portfolio is right for you, you should contact an IFA who can help you decide which course of action would be appropriate for your circumstances.**

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# A summary of the investment process

The investment manager selects the assets for each portfolio depending on the overall aim of the portfolio.

The portfolios are built based on a long-term strategy, although short-term judgements may be applied around volatility or unusual market events.

The asset selection process is as follows:



## Quantitative Analysis

The investment manager will screen the assets to compare their risk and return characteristics.



### Qualitative Analysis

The investment manager will review the portfolio characteristics and underlying holdings. They will meet or communicate with the underlying fund managers to learn more about the investment processes.

### Sharia Assessment

Once an asset has been selected for investment, the name of the relevant Sharia board and its scholars are forwarded to the Sharia Compliance Officer at Al Rayan Bank, along with a copy of the fatwa.

### Sharia Approval

Al Rayan Bank will review the asset and if approved, it can be included within the portfolios at the discretion of the investment manager.





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# A brief guide to ISAs

Individual Savings Accounts (ISAs) are a tax efficient way to invest which help make the most of your money. You can use them to save cash or invest in stocks and shares.

Your investment made through the DPS can be held in a Stocks and Shares ISA. Any returns on your investment can be free from income tax and capital gains tax.

## There is a limit set as to how much you can invest in an ISA in each tax year

- ▶ The current ISA allowance is £20,000 in the 2018/2019 tax year.\*
- ▶ You can invest the full amount in either a cash ISA or a stocks and shares ISA, or up to the full amount in a combination of both a cash ISA and stocks and shares ISA.
- ▶ However, you cannot pay into more than one cash ISA each tax year, and you cannot pay into more than one stocks and shares ISA each tax year.

## Investing in an ISA offers a number of benefits

- ▶ No capital gains tax is paid on your stocks and shares, when you decide to sell your investment.
- ▶ Profit earned is not subject to UK tax if held within an ISA.
- ▶ Higher rate tax payers may see additional benefits through a Stocks and Shares ISA.
- ▶ Married couples can combine their ISA allowance across two accounts.

ISAs and Tax can be a complicated area and how these apply to you depends on your personal circumstances.

We recommend that you seek the advice of an IFA when you are considering tax issues.

**ISA and tax rules are correct at the time of publication. These may be subject to change in the future and are dependent on individual circumstances. The value of a stocks and shares ISA may fall as well as rise and you may get back less than the amount you invested.**

**\*This is our understanding of the current tax laws which may be subject to change.**

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# A brief guide to Self Invested Personal Pensions

A Self Invested Personal Pension (SIPP) is a pension that allows an investor to make their own investment decisions about what is held in the SIPP and how their pension fund is accumulated.

Your investment made through the DPS can be held in a SIPP. This gives your pension fund the potential to grow in a tax efficient manner.

## Potential benefits of SIPPs

SIPPs benefit from tax relief on contributions in the same way as a Personal Pension Plan.

In addition, SIPPs can hold a greater range of assets than a Personal Pension Plan.

This means that you can tailor your pension fund towards your individual needs.

## DPS and SIPPs

You can hold any investments you make through the DPS within a SIPP. This gives you the opportunity to plan flexibly for your retirement in a fully Sharia compliant manner.

## Sharia compliant SIPP

Al Rayan Bank has accredited a Sharia compliant SIPP that is offered and administrated by SIPP specialists, Pointon York.

You can obtain a copy of our SIPP brochure from [alrayanbank.co.uk](http://alrayanbank.co.uk) or by visiting one of our branches

**Pension planning is a complicated area and you should seek advice from an IFA before you take any action.**



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# How do I invest?

If you are interested in finding out more about the DPS, you will need to speak to an IFA.

Al Rayan Bank can put you in touch with an IFA who is experienced in Sharia investment and finance, and understands how this affects your investment decisions.

The investment process is as follows:

## Step 1

### **Arrange an appointment**

To find out more about the Al Rayan Bank accredited Discretionary Portfolio Service, call our Customer Services team on 0800 4083 084. They will arrange for an IFA to contact you.

## Step 2

### **Speak to an IFA**

The IFA will call you to discuss your requirements and to assess whether the DPS is right for you. If it is not the right investment for you, the IFA may discuss other options which are.

## Step 3

### **Advice appointment**

Following the initial assessment, the IFA will meet you personally to gain a detailed understanding of your needs and goals, and your financial position.

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## Step 4

### Recommendation

The IFA will then present their recommendations, which are tailored to your needs, goals and financial position.

## Step 5

### Investment

If you decide to invest through the DPS, the IFA will arrange for your funds to be invested by opening an investment account via dpsSelect, the electronic platform provided by Praemium. The minimum investment you can make via the DPS is £10,000 and the minimum additional investment is £5,000 for a lump sum, or £250 for a regular monthly payment.

## Step 6

### Monitor via dpsSelect

Once your investment has been opened you will be given access to dpsSelect to monitor your investment. You will be able to view your investment portfolio at any time, get up to date valuations and see how your investment is performing.

To arrange a face to face meeting with an Independent Financial Advisor, visit [alrayanbank.co.uk](http://alrayanbank.co.uk) or call **0800 4083 084** (9am-7pm, Mon to Fri, 9am-1pm, Sat)

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# Fees and charges

There are charges associated with investment via the DPS.

All fees are exclusive of VAT, which is charged where applicable, and will be deducted from your DPS investment account.

You will receive a regular DPS investment account statement which will detail the fees that you have been charged.

## Advice fee

You will pay a fee for the advice you receive from the IFA, whether you use your own IFA or one suggested by Al Rayan Bank. This fee will be agreed up front between yourself and the IFA.

## Set up fee

There is a one-off DPS investment account set up fee of £150 which will be deducted from your initial investment.

## Annual management fees

0.85% is deducted annually from your DPS investment balance, to cover the costs of managing the investments. This is calculated as follows:

- ▶ **Annual investment management fees**  
An annual fee is payable to the investment manager for the provision of their professional services. This fee is 0.45% of the funds you have invested.
- ▶ **Annual custodian fees**  
An annual fee is payable to the administrators for the provision of custody and execution services. This is 0.40% of the funds you have invested.



## General Data Protection Regulation (GDPR)

Under the GDPR you have the right of access to your records.

Praemium Administration Ltd. will hold detailed information relevant to the administration of your account and Al Rayan Bank PLC will hold basic customer contact details.

Should you wish to exercise this right, please write to:

Praemium Administration Ltd  
4th Floor, Salisbury House, London Wall,  
London, EC2M 5QQ

And/or

Data Protection Officer,  
Data Subject Access Requests,  
Al Rayan Bank PLC, 24a Calthorpe Road,  
Edgbaston, Birmingham, B15 1RP

**Al Rayan Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Our firm reference number is 229148.**

**Al Rayan Bank PLC is incorporated and registered in England and Wales. Registration No. 4483430. Registered office: 44 Hans Crescent, Knightsbridge, London, SW1X 0LZ.**

**Praemium Administration Ltd. (Company Number: 06016828) has its registered office at 4th Floor, Salisbury House, London Wall, London, EC2M 5QQ. Praemium Administration Ltd. is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority under reference 463566.**

**Praemium Administration Ltd. is a wholly owned subsidiary of Praemium Portfolio Services Ltd.**



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Want to **know more**  
about any of our  
products or services?

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Call us on:

**0800 4083 084\***

Monday to Friday, 9am to 7pm.

Saturday, 9am to 1pm.

\*Calls may be recorded for training  
and security purposes.

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Visit: [alrayanbank.co.uk](http://alrayanbank.co.uk)

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Write to: **Al Rayan Bank, PO Box  
12461, Birmingham, B16 6AQ**

Or visit any of our branches.

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