

Key Takeaways

SP Funds S&P World ETF ex-US (the “Fund” or the “World ETF”) seeks to track the performance, before fees and expenses, of the S&P DM Ex-U.S. & EM50/50 Shariah Index (the “Index” or the “Shariah World Index”). We believe the fund constituent companies are expected to benefit from growth in emerging market and developed world (EAFE) economies as inflation tends to be lower in these economies and the growth rate is expected to be higher compared to the developed economies. As per PwC, Goldman Sach’s and the Conference Board’s reports; ^{1,2,3}

- Sharia-compliant: composed in accordance with Islamic law.
- Cumulative global growth of 130% between 2016 to 2050.
- China’s projected share of world gross domestic product (GDP) by purchasing power parity by 2050 ~ 20%.
- India’s global GDP ranking at PPPs by 2050 ~19% (behind China but ahead of US),
- Countries included in the European Union (EU27’s) share of global GDP at PPPs by 2050% ~9% (excluding UK)
- Emerging market indexes at 20 years low relative to developed market stock indexes.
- The fund is expected to benefit from EM growth, while risk is controlled by exposure to ex-US developed markets.

Currently the U.S. represents a high proportion of the global market capitalization and American investors who already own U.S equities can diversify geographically by buying SPWO which is an ex-U.S. ETF, instead of a comprehensive global stocks fund which would include more U.S. stocks, effectively negating some of that diversification. Additionally, the opportunities to invest in a Sharia-compliant way are increasing, supported by strong demand from Muslim and non-Muslim investors for its ethical foundation, sustainability and social responsibility.

Investing in World

The SP Funds team expects emerging markets to generate considerable economic value over the next ten to twenty years, while developed markets ex-US will help reduce the fund’s volatility.

1. During a period of uncertain US growth, international stocks tend to do better. Hence the Fund may offer a portfolio diversification to the portfolios.

¹ <https://www.pwc.com/gx/en/research-insights/economy/the-world-in-2050.html>

² <https://www.conference-board.org/topics/global-economic-outlook>

³ <https://www.goldmansachs.com/intelligence/pages/gs-research/the-path-to-2075-slower-global-growth-but-convergence-remains-intact/report.pdf>

2. International stocks price to earning ratio multiple (P/E) trade at a historic discount to the S&P 500 Index. The long term average (mean reverting level) of MSCI EAFE Index P/E relative to the P/E of S&P 500 Index is 0.87 but is currently at 0.61. This makes a value argument to invest in the international stocks.
3. Exposure to a broad range of international developed and emerging market companies.
4. Low cost, comprehensive access to non-U.S. stocks.
5. Can form the core of a international diversified portfolio and seek long-term growth

Sectoral Exposure

- Information Technology ~ 22.6%
- Consumer Discretionary ~21.65%
- Health Care ~ 15.15%
- Industrials ~12.85%
- Materials~10.75%

Country Exposure

- China ~19%
- India~10.1%
- Japan ~9.5%
- Taiwan ~9.1%
- Switzerland ~7.4%
- United Kingdom ~5.4%
- France~5.4%

Style Exposure

- Growth ~48%
- Value ~37%
- Neutral~15%

(Please note these exposures are the time of this paper and are subject to change through the market movements and rebalancing of the index)

Investing in Global Companies

Current ratio of USA Total Market Cap over GDP is 150.40 (as of 2023-10-28). Historically, USA Ratio of Total Market Cap over GDP reached a record high of 199.50 and a record low of 32.70, the median value is 78.90. Typical value range is from 117.96 to 165.94. Current value seems to be at the top end of this range. Per IMF projections, in the next 10 years, the emerging economies and developed world economies other than the US are likely to grow faster with a growing ratio of market cap to GDP ratios. This bodes well for emerging market and ex-USA companies and stocks. We believe that if emerging economies are growing almost at double the pace of developed economies, it makes sense to invest in companies from these countries.

This, if it happens, will be a radical shift in global economic power, considering that in 1995, the E7 economies were half the size of the G7 countries. All of these projections reiterate the belief that this is going to be emerging markets century. This projection combined with a higher market capitalization as a percentage of GDP for emerging economies, make that region a good futuristic investment choice.

Investing in Accordance with Sharia Law

Sharia investments are also known as Halal Investments. They encourage people to invest in a socially responsible way and structured to comply with Islamic religious law commonly known as Sharia and its investment principles.

To be Sharia compliant, companies and investments must pass several screens for permissible asset classes and business activities. Stocks and Islamic ETFs are eligible for Sharia compliance consideration, but preferred shares and interest-paying securities are not. A business activities screen excludes companies that derive more than five percent of their total income from non-compliant income sources.

Non-Compliant Income Sources:

- Alcohol
- Gambling
- Weapons
- Tobacco
- Adult Entertainment
- Pork Products
- Highly-leveraged Businesses
- Interest-Based Businesses
- Music, Cinema or Broadcasting

Why Invest Sharia-Compliant ETFs?

The SP Funds S&P World ETF seeks to track the performance, before fees and expenses, of the S&P World Shariah index which is designed to include the equal weights of emerging markets and developed markets other than the US.

Sharia-compliant ETFs offer benefits such as diversification, lower costs, transparency and trading flexibility. They can also potentially avoid risky allocations to highly leveraged instruments. The benefits of this approach were revealed in the financial crisis of 2008-2009 and interest rate hike cycle of 2022-2023, when Sharia-compliant investors weathered the storm due to their lack of exposure to conventional financial services and highly leveraged companies.

Because of this, it comes as no surprise that many non-Muslims find Sharia-compliant investing to be an ideal way to help hedge against leverage.

The Fund

The fund is passively managed to offer plain vanilla exposure to the global ex-U.S. equity space. The index may hold large- and midcap stocks of companies located in developed and emerging countries outside of the US. Holdings are weighted by float-adjusted market capitalization. The portfolio is reviewed semi-annually in March and September.

The S&P Global index: As of October 31, 2023, the Index was composed of 500 constituents, representing investments in thirty five foreign countries, and have an mean market capitalization of 118 billion US\$. The Index includes 500 highest weighted U.S. dollar-denominated global companies, taken from S&P Sharia Developed Markets ex-USA and S&P1200 Large and Midcap Emerging Market Sharia Indexes. This creates a unique mix of emerging market and developed market companies, more in line with the projected GDP of the respective countries. Constituents of the Index have been screened for non-compliant business activities (companies that offer products and services that are not compliant with Sharia law such as gambling, alcohol or tobacco) and compliance with certain

accounting-based financial ratios (companies must satisfy financial ratios governing leverage, cash, and the share of revenues derived from non-compliant activities)..

The Index is rebalanced and reconstituted monthly and weighted based on the float-adjusted market capitalization of each constituent.

About SP Funds

Among the first wealth managers to deliver Islamic financial solutions, SP Funds is dedicated to providing halal, Sharia-compliant, non-levered ETFs that can serve as versatile solutions for value-conscious investors across the globe. SP Funds ensures that investors can invest along with their conscience, while achieving potential diversification benefits.

Sharia-Compliant Investment Solutions Provider: Managing over US \$618,517,192.96 in Sharia-compliant assets, SP manages all portfolios in accordance with the rules determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and under the guidance of their ethical advisor, Imam Omar Suleiman.

Strength and Experience: Over 15 years of navigating well through all market cycles. The portfolio team employs a highly disciplined investment philosophy and process designed to comprehensively measure and manage risk

Values-Driven Culture: Our values-driven culture guides how we work

For more information, go to sp-funds.com.

IMPORTANT INFORMATION

Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information is in the prospectus. A prospectus may be obtained by visiting sp-funds.com or calling (425) 409-9500. Please read the prospectus carefully before you invest.

Investing involves risk including loss of principal. Please visit each fund's page for specific fund risks. Diversification does not ensure a profit or protect against loss in declining markets.

As with all ETFs, Fund shares may be bought and sold in the secondary market at market prices. The market price normally should approximate the Fund's net asset value per share (NAV), but the market price sometimes may be higher or lower than the NAV.

Islamic religious law commonly known as Sharia has certain restrictions regarding finance and commercial activities permitted for Muslims, including interest restrictions and prohibited industries, which reduces the size of the overall universe in which the Fund can invest. The strategy to reduce the investable universe may limit investment opportunities and adversely affect the Fund's performance, especially in comparison to a more diversified fund.

Equity securities, such as common stocks, are subject to market, economic and business risks that may cause their prices to fluctuate. Diversification does not ensure a profit or protect against loss in declining markets. Investments in emerging market securities impose risks different from, or greater than, risks of investing in foreign developed countries, including smaller market capitalization; significant price volatility; and restrictions on foreign invest

Passive Investment Risk. The Fund invests in the securities included in, or representative of, its Index regardless of their investment merit. The Fund does not attempt to outperform its Index or take defensive positions in declining mark

Recently Organized Fund Risk: The Fund is a recently organized, non-diversified management investment company with a limited operating history. As a result, prospective investors have a limited track record or history on which to base their investment decision. There can be no assurance that the Fund will grow to or maintain an economically viable size.

Definitions: (P/E: price to earning ratio, GDP: gross dometic product, PPP: purchasing power parity, EAFE: Europe, Australia and Far East, EU 27: Countries included in the EU, Mean Reverting Level: long term level of the respective relative mean)

S&P Sharia Developed Markets ex-USA – The S&P Developed Ex-U.S. LargeMidCap Shariah seeks to track all Shariah-compliant constituents in the S&P Developed Ex-U.S. LargeMidCap.

S&P1200 Large and Midcap Emerging Market Sharia Indexes – The S&P Emerging BMI Shariah offers investors a comprehensive emerging markets benchmark including large-, mid- and small-cap stocks the markets. It includes all Shariah-compliant constituents of the S&P Emerging BMI.

MSCI EAFE Index – The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.

The Index is widely used as a benchmark and as the basis for index-linked financial products. Multiple exchange traded funds are based on the MSCI EAFE Index and the ICE Futures Europe, ICE Futures US and Chicago Board Options Exchange (CBOE) are licensed to list futures contracts on this Index.

S&P 500 Index – The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and covers approximately 80% of available market capitalization.

Forside Fund Services, LLC, Distributor