



**Asset  
Management**

## **GOLDMAN SACHS MUTUAL FUND**

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### **Addendum to the Scheme Information Document (SID) of Exchange Traded Funds of Goldman Sachs Mutual Fund**

Further to the press release dated May 24, 2013 of India Index Services & Products Private Ltd (IISL), investors/unit holders of Goldman Sachs CNX Nifty Shariah Index Exchange Traded Scheme (GS Shariah BeES) are advised to take note that details of CNX Nifty Shariah Index appearing in Part K clause 5 of the SID shall be substituted with the following:

#### **CNX Nifty Shariah Index**

Investors should note that in accordance with its investment objective, GS ShariahBeES only invests in Securities which are represented in the CNX Nifty Shariah Index. However, GS ShariahBeES does not represent itself to be a Shariah compliant scheme. In particular GS ShariahBeES has not appointed a Shariah board and currently does not follow any Shariah dividend purification process.

Therefore the following description of the Shariah process relates to the CNX Nifty Shariah Index rather than the GS ShariahBeES scheme itself.

Based on the premier market bellwether for India, the CNX Nifty, the current constituents of the index are screened for Shariah compliance. Those that are compliant form the CNX Nifty Shariah. The resulting index performance closely tracks the performance of the parent index. The Nifty includes the largest and most liquid companies listed on the National Stock Exchange.

#### **Representation**

All underlying stocks are representative of the Indian equity market, while remaining highly liquid and investable. The index typically covers over 60% of the market capitalization of the parent index, though this can vary depending on the number of companies found to be compliant. Historical performance analysis, however, indicates that there is a high level of correlation between the CNX Nifty Index and CNX Nifty Shariah index.

#### **Shariah Screening**

IISL has contracted with Taqwaa Advisory and Shariah Investment Solutions (TASIS) to provide the Shariah screens and filter the stocks based on these screens.

Taqwaa Advisory and Shariah Investment Solutions (TASIS) is India's premier Shariah Advisory institution in the field of business and finance. For the last many years TASIS is at the forefront in providing Shariah consultancy, monitoring and certification to many of India's reputed organizations, including those owned by the central and state government too.

#### **Shariah Screening Process**

##### **Business Screening:**

Activities which are not permitted under Shariah are those which involve engaging in interest-earning businesses or in those businesses which are mostly harmful to human society and disallowed by Shariah. Thus companies engaged in promoting promiscuity, violence, vulgarity and businesses affecting the environment are also considered Shariah non-compliant. Hence all companies which are primarily into the following activities are screened out on the business parameter.

- Conventional financial services such as banks, insurance companies, finance and investment companies, stock broking etc.
- Production, sale and marketing of non-Halal food and beverages such as Pork, Alcohol, Tobacco and such other items etc.
- Companies involved in production or distribution of vulgar entertainment, such as film and other recreational activities where vulgarity, promiscuity is a part and parcel of the business undertaken / promoted
- Hotels and restaurants (providing non-Halal products or entertainment)
- Gambling, Narcotic drugs, etc.

##### **Financial Screening:**

Since interest-based transactions are prohibited by Shariah, companies passing the business screening stage are further screened to ensure that their dealings involving interest-based debt or earnings out of / deployment of funds on interest are within the maximum tolerance limits set by Shariah scholars. There are certain variations in these tolerance limits based on place and time. To remain on the conservative side from a Shariah adherence perspective, TASIS has adopted financial screening norms which are more conservative than those followed by its peers and also justified by empirical studies of the Indian environment. TASIS norms are given below:

- Interest based-debt should be less than or equal to 25% of Total Assets.
- Interest income plus returns (currently considered @8%) from interest-based investments should be less than or equal to 3% of the total income.
- Receivables plus cash and bank balances should be less than or equal to 90% of Total Assets.

##### **Income Purification Ratio (IPR):**

For full compliance with Shariah law, investors are required to purge the pro rata portion of interest income accrued on their holding of shares in a company.

##### **Index Methodology:**

The CNX Nifty Shariah Index is calculated using a base-weighted aggregate methodology. This means the level of an index reflects the total float-adjusted market value of all of the component stocks relative to a particular base period. The total market value of a company is determined by multiplying the price of its stock by the number of shares available after float adjustment. An indexed number is used to represent the result of this calculation in order to make the value easier to work with and track over time.

On any given day, the index value is the quotient of the total available market capitalization of its constituents and its divisor. Continuity in index values is maintained by adjusting the divisor for all changes in the constituents' share capital after the base date. This includes additions and deletions to the index, rights issues, share buybacks and issuances, and spin-offs. The divisor's time series is, in effect, a chronological summary of all changes affecting the base capital of the index. The divisor is adjusted such that the index value at an instant just prior to a change in base capital equals the value at an instant immediately following that change.

##### **Base Date**

The indices have a base date of January 1, 2007 with base value of 1000.

This addendum shall form an integral part of the SID of the Exchange Traded Funds of Goldman Sachs Mutual Fund as amended from time to time. The Trustees reserve the right to change/modify the features of above mentioned provisions. The above revisions shall remain in force until further notice. All other terms and conditions of the SID read with the addenda issued from time to time will remain unchanged.

This addendum is effective May 27, 2013.

**For Goldman Sachs Asset Management (India) Private Limited  
(Investment Manager of Goldman Sachs Mutual Fund)**

Sd/-

Place : Mumbai  
May 28, 2013

**Prashant Khemka  
Co-Chief Executive Officer**

**Mutual Fund investments are subject to market risks, read all scheme related documents carefully.**