

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

Part 2A of Form ADV: Firm Brochure



SEC File # 801-80652  
Firm IARD/CRD #: 173937

**ShariaPortfolio, Inc.**  
REGISTERED INVESTMENT ADVISOR

Cover Page **ITEM 1**

This Disclosure Brochure provides information about the qualifications and business practices of ShariaPortfolio, Inc., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about ShariaPortfolio, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that ShariaPortfolio, Inc. has attained a certain level of skill or training.

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## CONTACT INFORMATION

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BROCHURE  
DATED

**10  
AUGUST  
2016**



## MATERIAL CHANGES

SEC Rule 204-3(b)(2) allows us to provide you with a summary page of Material Changes in lieu of sending out our entire Disclosure Brochure. If you are being offered this Material Change page as a separate piece from our Disclosure Brochure and you have questions about these summary disclosures or would like a current copy of our Disclosure Brochure to review, **you may contact us and a current, complete Disclosure Brochure will be sent free of charge.**

### Revised Fee Schedule

We have consolidated our Investment Programs into a single management fee structure and modified the portfolio values per tier break. Our new asset-based management fee schedule structure is as follows:

Portfolio Value	Annual Fee Rate
<b>Standard Portfolios</b>	
Up to \$500,000 .....	1.50%
\$500,001 to \$1,000,000 .....	1.20%
\$1,000,001 to \$5,000,000 .....	1.00%
Over \$5,000,000 .....	0.75%
<b>Mutual Fund Portfolios</b>	
All Account Values .....	0.50%
<b>Defined Benefit Contribution Plan Portfolios</b>	
All Account Values .....	0.75%

In addition, we will no longer aggregate all your accounts to determine the annual fee rate to then calculate our quarterly management fee. Each account will now be calculated separately based on where the market value of each individual account falls within our negotiated fee schedule. For existing accounts, this could have resulted in you paying a higher management fee if we previously aggregating all your account values to determine the annual fee rate. Therefore, to prevent this from becoming an issue, we lowered all our annual fee rates to the new rates listed above.

For more information, see our Disclosure Brochure under “Portfolio Management Fee” in Item 5, “Fees & Compensation”.

### SHARIA PORTFOLIO, INC.

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This brief is being provided to you as a summary of what has been fully disclosed in our Disclosure Brochure dated August 10, 2016. The information contained on this Material Change page has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.





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## BROCHURE SUPPLEMENTS



## ADVISORY BUSINESS

ITEM 4

### Who We Are

ShariaPortfolio, Inc., (hereinafter referred to as “ShariaPortfolio”, “the Company”, “we”, “us” and “our”) is a fee-only registered investment advisor<sup>1</sup> incorporated October 2014 as a Florida corporation. ShariaPortfolio is a boutique asset management firm focusing on Sharia-compliant investing to assist you, our client<sup>2</sup>, achieve your financial goals.

#### Owners

The following persons are the principal owners of the Company:

Name	Title	CRD#
Naushad Virji	President & Chief Compliance Officer	5027106
Wasia Sheikh	Shareholder	6422969

#### Assets Under Management

As of August 10, 2016, our assets under management totaled:

Client Discretionary Managed Accounts .....	\$18,360,000
Client Non-Discretionary Managed Accounts.....	\$3,740,000

### Our Mission

ShariaPortfolio strives to provide you exceptional portfolio management services while balancing our commitment to maintain social responsibility with an emphasis on ethics when it comes to our investment choices. Our primary goal is the preservation and growth of your investment portfolio(s). We will accomplish this through a disciplined approach to long-term investing and superior service.

### What We Do

**We manage wealth.** Our advisory services begin with stressing the importance of you making fiscally responsible decisions and disciplined economic choices in your personal life so we can effectively help you achieve your monetary goals for **today’s needs, tomorrow’s dreams**, and a strategy to build a **lasting legacy** for future generations.

<sup>1</sup> The term “registered investment advisor” is not intended to imply that ShariaPortfolio, Inc has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission (the“SEC”) - and “Notice Filed” with State Regulatory Agencies that have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be an individual and their family members, a family office, a foundation or endowment, a corporation and/or small business, a trust, a guardianship, an estate, another fiduciary or any other type of entity to which we choose to give investment advice.





## Portfolio Management

Focus of our management begins with identifying your standards of living and quality of life expectations for us to gain deeper insight into your investment mentality, objectives, and desires. We will conduct a pre-advisory consultation, which may include gathering information in a profile questionnaire<sup>3</sup> and/or management software, to assess your risk tolerance, current income and expenses, career objectives, personal goals, investment time horizon, targeted rate of return, and prior investment experience. Our pre-advisory consultation is designed to:

- ❖ Define and narrow objectives and investment options;
- ❖ Identify areas of greatest distress;
- ❖ Develop a strategy for addressing future concerns;
- ❖ Cultivate peace of mind; and,
- ❖ Create a unique picture of your financial condition.

Once your investment parameters have been identified, we will prepare a recommended allocation plan using one, or a combination of, our model portfolios with the appropriate investment strategy to achieve the most optimal return on your investment capital<sup>4</sup>. The securities we use in our model portfolios will be a mix of equity (“stock”) positions, Investment Company (“mutual funds”) products, and Exchange-Traded Funds (“ETFs”) based on your unique investment expectations and risk tolerance levels.

Information regarding our management fee structure is disclosed under “Portfolio Management Fee” in Item 5, “**Fees & Compensation**” and further description of our investment strategies under Item 8, “**Methods of Analysis, Investment Strategies & Risk of Loss**”.

## Retirement Planning

We assist ERISA-qualified retirement and savings plans in the design of the fiduciary governance structure and with the development of an investment management program. Our services under ERISA are to act as a **Limited-Scope 3(21) Fiduciary**. As such, we acknowledge we have a co-fiduciary role but **do not** take discretion or act as a 3(38) Fiduciary to construct an investment menu, select and monitor money managers, mutual funds, or ETFs or to replace the investment options within the plan.

Our responsibility will be to provide the plan sponsors and/or named fiduciary of the retirement plan with access to extensive investment tools offered by various retirement planning providers, third-party administrators (“TPAs”), to guide them in their duty to implement, maintain, administer and provide fiduciary oversight of their corporate defined benefit and/or defined contribution retirement plan. Generally, these services will include, but are not limited to:

- ❖ Identifying asset classes and various asset class combinations;
- ❖ Diversification and optimization approaches for the plan to effectively control asset allocation decisions and risk management; and,
- ❖ Educating plan participants on investment options and use of the investment platform menu.

<sup>3</sup> The profile questionnaires and/or management software we use are vital tools for us to compile important data about you. Electing not to answer our questions or responding, but with limited input, can put us at a disadvantage and may handicap our ability to effectively manage your investment expectations. Therefore, if you want the best advice we can offer on your managed account(s), you should make every effort to provide us with detailed personal information and be as accurate on your responses as you possibly can.

<sup>4</sup> You may, at any time, impose restrictions in **writing** on the securities we may recommend (i.e., limit the types/amounts of particular securities purchased for your account, etc.).





Fees for our retirement planning are disclosed below under “Retirement Planning Fee” in Item 5, “Fees & Compensation.”

## FEES & COMPENSATION

ITEM 5

### Portfolio Management Fee

Portfolio management services are provided on an **asset-based fee** arrangement. The management fee will be calculated based on the **market value** of your portfolio account on the last business day of the previous calendar quarter **multiplied by one-fourth** the corresponding annual percentage rate (i.e.,  $1.50\% / 4 = 0.375\%$ ).

We retain **discretion to negotiate the management fee within each tier** on a client-by-client basis depending on the size, complexity, and nature of the portfolio managed. In addition, as your portfolio value exceeds each tier level, either through additional deposits or asset growth, a fee break will occur. The tier breaks are as follows:

Portfolio Value	Annual Fee Rate Not to Exceed
<b>Standard Portfolios</b>	
Up to \$500,000 .....	1.50%
\$500,001 to \$1,000,000 .....	1.20%
\$1,000,001 to \$5,000,000 .....	1.00%
Over \$5,000,000 .....	0.75%
<b>Mutual Fund Portfolios</b>	
All Account Values .....	0.50%
<b>Defined Benefit Contribution Portfolios</b>	
All Account Values .....	0.75%

We generally require a minimum initial investment of **\$100,000** when opening a managed account. However, we retain the right to **waive or reduce** any minimum amount if we feel circumstances are warranted.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

#### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at any time without your prior consent or advice.

You may, however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).





### Billing

Your account will be **billed quarterly in advance** based on the fair market value of your portfolio and where it **falls within our tiered fee schedule**. For **new managed** accounts opened in mid-quarter, our fee will be based upon a **pro-rated calculation of your assets to be managed** for the current quarterly period.

As the market value of your portfolio exceeds/decreases to the next/previous tier level, either from market activity or additional deposits/withdrawals, **a fee break will occur and the Client's management fee will be adjusted accordingly at the next quarterly fee billing calculation**.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### Deposits and Withdrawals

Assets deposited by you into your managed portfolio between billing cycles will **not** result in additional management fees being billed to you **unless such deposits exceed \$20,000**. We do not want to discourage you from investing additional capital for your future, however deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, we reserve the right to bill your account a pro-rated fee based upon the number of days remaining in the current quarterly period for deposits exceeding the above amount.

**We do not make partial refunds** of our quarterly fee for withdrawals you make during a calendar quarter. Just as with deposits, withdrawals from your account will require modifications and adjustments to be made to correct the allocation of assets in your portfolio.

### Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, **"Brokerage Practices"**.





### Termination of Portfolio Management Services

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To terminate our portfolio management services, either party (you or us), by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 5 days** prior to the date of termination. Such written notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar quarter, **you shall be entitled to a pro-rated refund** of the prepaid quarterly management fee based upon the number of days remaining in the quarterly cycle after the termination notice goes into effect. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Retirement Planning Fee

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As a **Limited-Scope 3(21) Fiduciary** our responsibility to the plan sponsors and/or named fiduciary will be to assist with the development of an investment program menu based on the investment disciplines that most closely resemble the retirement plan's investment objectives and risk tolerance as outlined in the plan's Investment Policy Statement. The investment platform menu, administered by a third-party administrator ("TPA") offers:

- ❖ Customized mutual fund allocation models with each model consisting of varying target asset allocations.
- ❖ Customized open architecture platform of leading third-party portfolio managers ("Portfolio Manager").
- ❖ Construction tools to implement effective investment portfolios.
- ❖ Online reporting and account access.

Once the platform menu is in place, we will advise the plan investment committee on the performance of each allocation model and/or Portfolio Manager and make recommendations, if any, on rebalancing and/or replacement of investment options to the platform menu.

### Retirement Planning Fees

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Retirement planning services are provided on an asset-based fee arrangement and such fees will be administered by the retirement plan TPA platform. **The TPA will disclose all fees to the plan sponsors and/or named fiduciary in a retirement planning agreement** and provide copies of any disclosure documents such as a Portfolio Manager's Disclosure Brochures (i.e.: Form ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure). The retirement planning fees that will be charged to retirement plan will include:

1. The TPA platform fee;
2. The Portfolio Manager's management fee, if any; and,
3. Our retirement planning fee (not to exceed 1.00%) that the TPA will pay us from the total fee collected.

### Protocols for Retirement Planning Services

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The TPA's retirement planning agreement contains all pertinent disclosures relating to the management services being offered: such as, the fee structure for such services, billing, fee exclusions, termination provisions, and any other unique advisory costs associated with







servicing the retirement plan. We will discuss all these arrangements with the plan sponsors and/or named fiduciary when we go to select the retirement plan TPA platform; however, the plan sponsors and/or named fiduciary is **encouraged to read about these retirement planning services on their own - don't take our word for it!**

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

### Performance-Based Fees

Should you be interested, and meet the minimum qualifications, we offer an optional performance-based management fee structure.

#### Performance Trading

**DESCRIPTION** - The Performance Trading Portfolio is aggressive and formula driven using quantitative analysis to calculate risk and probability with the overall objective being to preserve asset growth while, at the same time, participating in the potential appreciation of the market. This aggressive strategy will incorporate components of the Aggressive and Moderate objectives depending on your preferences.

**OBJECTIVE** - Aggressively Traded Performance Drive: The Performance Trading portfolio seeks to offer enhanced equity growth and income performance using an aggressive management strategy for enhanced performance and participation in major market trends and sector trends.

#### PERFORMANCE TRADING FEE -

- Style: Actively Managed - Aggressive Growth
- Account Minimum: \$500,000<sup>5</sup>
- Fee Structure: The Performance Trading Fee is based on how well the portfolio performs over a **quarterly** period. The Performance Trading Fee structure is set as follows:
- If the account market value, at the close of the current calendar quarter, **exceeds the prior high watermark account value by 1.00%**, we will earn **25% of the trading profits over the 1.00%**.
  - The first 1.00% in trading profits is **not** charged a fee. Therefore, **if the quarterly account value does not achieve a 1.00% return, we do not earn a fee.**
  - The **"high watermark"** is the Performance Trading portfolio market value at the close of a calendar quarter adjusted for deposits, withdrawals, and our performance fee earned from the prior quarter, if any.
  - The **"hurdle rate"** is the high watermark **plus 1.00%**. We must achieve the hurdle rate in order to charge a performance fee. If the market value of the Performance Trading portfolio at the close of a calendar quarter exceeds the hurdle rate, that market value becomes the new high watermark. **The high watermark resets January 1<sup>st</sup> of each calendar year.**

<sup>5</sup> The minimum account size of \$500,000 is negotiable on a client-to-client basis. However, regardless of the minimum account size, you must still meet either the \$1,000,000 or \$2,000,000 requirement for performance management (See "Regulatory Restrictions" below for more information.), understand the risks involved in an aggressive investment strategy, and be able to absorb the potential loss that can occur in this type of strategy.





- The “**market value**” is the value of the Performance Trading portfolio account as shown on the account statement at the close of each calendar quarter provided by the custodial firm.

**IMPORTANT CONSIDERATIONS** - This strategy is designed for clients who can tolerate above average risks in order to seek unusually high returns. This account can utilize various aggressive tools including margin, market timing, sector fund selection, concentrated equity positions, and specialized securities designed to magnify (and in some cases produce inverse of) the performance of various market indexes. This strategy may not be tax efficient and is best implemented in qualified accounts such as IRA's.

### Performance Trading Fee Billing

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The Performance Trading Fee is billed to the account in arrears. The Performance Trading Fee will **only** be assessed if the account value exceeds the previously established high watermark for the account. The Performance Trading Fee is 25% of the trading profits over 1.00%. For example, if the high watermark is \$1,000,000, and the net account value at the end of the quarter is \$1,020,000, the account during the quarter had a 2% trading profit return. Our fee will be calculated as follows:  $\$1,020,000 - \$1,010,000 = \$10,000 \times 25\% = \$2,500$ .

### Withdrawing Assets from Your Performance Trading Account

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Should you withdraw assets from your Performance Trading account during the quarterly effectively lowering your quarterly account value to a level that could cause us to not earn a performance fee, we reserve the right to reduce the high watermark set on your account equal to the amount of your withdrawal.

### Termination of Performance Trading Services

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A Performance Trading account can be terminated at any time at the end of a calendar quarter. Upon termination, if your Performance Trading account exceeds the quarterly high watermark, we will bill your account our performance fee.

### Regulatory Restrictions

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To participate in the Performance Trading strategy, you must meet the minimum requirements of SEC Rule 205-3(d)(1), which are only available to you if:

- ❖ You fully understand the risks involved in performance-based fee management;
- ❖ You have at least \$1,000,000 under management with us or a net worth equal to or greater than \$2,000,000; or,
- ❖ You are a “qualified purchaser” under Section 2(a)(51)(A) of the Investment Company Act of 1940.

### Positives and Negatives with Performance-Based Fee Accounts

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A performance-based fee arrangement gives you the ability to hedge our fees. The benefit, in comparing the non-performance asset-based management fee with our performance-based fee is, if we **don't** achieve and exceed the quarterly high watermark by a minimum 1.00%, you would **not pay any management fee** for your account while enjoying, hopefully, a moderate to neutral return. The negative to you is, if we **do exceed the quarterly high watermark**, the



fee you would pay would be a share of the capital gains in your account - which could be substantially higher than our standard asset-based fee structure.

## Performance-Based Management Conflicts

In a performance-based fee account, we can earn a substantially higher fee based on the returns we generate in your account. This poses a potential conflict of interest, which could affect the objectivity of our advice and recommendations in the following ways:

- ❖ Such performance-based accounts create greater incentives for us to be more aggressive so as to achieve higher returns. When we do this, you absorb a greater risk of possible loss due to excessive trading (churning) in the account while we would only lose potential performance-based management fees.
- ❖ Focus on such performance-based accounts could consume much of our time and therefore those other non-performance managed accounts could lose out on valuable time that should be devoted to all investments.
- ❖ Lower fees for comparable services may be available from other sources

Notwithstanding such potential conflicts, we strive to serve your best interest; as well as, ensuring such performance based management is in compliance with the Investment Advisor Act of 1940, Rule 275.205-3.

## TYPES OF CLIENTS

ITEM 7

The types of clients to whom we offer advisory services are described above under “Who We Are” in Item 4, “Advisory Business”. We do not require a minimum account size for portfolio management services; however, our services do have a minimum fee as disclosed above under “Portfolio Management Fee” in the Item 5, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our portfolio management and investment consulting services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using a mix of equity (“stock”) positions, Investment Company (“mutual funds”) products, and Exchange-Traded Funds (“ETFs”) to achieve the best return on your investment capital.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: closed-end funds, hedge funds, private placements and other publicly traded securities. These investment vehicles bring on a whole different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

## Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gathering information and to guide us in our management decisions.





## Fundamental Analysis

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Fundamental analysis considers: efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

## Quantitative Analysis

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Quantitative analysis seeks to understand the behavior of a security using mathematical and statistical modeling to measure certain unique characteristics such as, for example, revenues, earnings, margins, and market share. Mathematical and statistical modeling helps us to ascertain security price and risk to ultimately help identify profitable opportunities.

**RISKS** - The key benefit of quantitative analysis is its ability to reduce complex figures to a single piece of data that is easy to grasp, discuss, and support decision-making and investment recommendations. However, using quantitative analysis alone with no further evaluation is often too narrow and sometime misleading since focus is on financial data while neglecting other details such as management experience, employee attitudes, and brand recognition.

## Technical Analysis

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Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

## Cyclical Analysis

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Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit strategies.

**RISKS** - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing





beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **quantitative analysis** assists us with portfolio optimization techniques. **Technical analysis** is short-term focusing on the statistics generated by market activity; and, **cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

## Investment Strategies

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

Taking into consideration your need for money (portfolio withdrawals) and your tolerance for risk, we can help you select among the following investment strategies (ordered from conservative to aggressive):

- ❖ **Income Strategy** - The Income investment strategy focuses on capital preservation using dividend-paying Sharia-compliant stocks and mutual funds. Stocks are selected using a value-based approach with an emphasis on stability and high yield. The Income portfolio seeks to provide you with short-term capital appreciation through a passively managed portfolio strategy. Special emphasis is placed on capital preservation as an investment objective. This strategy is **suitable for short-term investors and those seeking regular income.**
- ❖ **Moderate Strategy** - The Moderate investment strategy focuses on income as well as growth also using dividend-paying Sharia-compliant stocks and mutual funds. Stocks are selected using a value-based approach. Sharia-compliant mutual funds are also utilized for greater diversification and added exposure to international investments. The Moderate portfolio seeks to produce income with the potential for capital growth through an actively managed portfolio of socially responsible sector stocks. This strategy is **suitable for investors that have a 3-to-5year investment time horizon.**
- ❖ **Aggressive Strategy** - The Aggressive investment strategy focuses on long-term capital growth using individual Sharia-compliant common stocks primarily by means of a value-based approach to security selection. Sharia-compliant mutual funds are also utilized for greater diversification and added exposure to international investments. The Aggressive portfolio seeks to provide long-term capital appreciation through an actively managed portfolio of socially responsible sector stocks. This strategy is **suitable for investors with a time horizon greater than 5 years.**

## Value Investing

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Value Investing involves selecting securities that trade for less than their intrinsic values, being more concerned with the business and its fundamentals than other influences on the stock's price. Value investing is about finding stocks that we believe the market has undervalued. We perform fundamental analysis of a company's stock looking at both the qualitative (business model, governance, earning potential, target market factors, etc...) and quantitative (ratios, cash flow, dividends, financial statement analysis, etc...) aspects of the company to determine if the business is currently out of favor with the market and the





stock price is deflated. Generally, if we find that a company's fundamentals reveal the stock to be undervalued, we will buy and hold the security for the long term.

### Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive Asset Allocation derivatives. We have developed five primary model portfolio structures that are used as Asset Allocation guideline models in designing your investment portfolio. These models consist of:

- ❖ **Mutual Fund Models** - These models are designed for the more conservative investors with moderate capital to open a managed account. Models contain a diversified mix of mutual funds using primarily the Income and Moderate strategies and occasionally the Aggressive strategy.
- ❖ **Standard Models** - These models are tracked with our Portfolio Snapshot reports and are designed for all stages of investment need. Models contain a combination of stocks and mutual funds using the Income, Moderate, and Aggressive strategies.
- ❖ **401(k) Models** - These models contain only mutual funds available on the TPA/custodian platform. Models are structured similar to our Standard Models using a combination of the Income, Moderate, and Aggressive strategies.
- ❖ **Stock Models** - These models contain stocks, and occasionally ETFs, designed for individuals with capital to invest looking for high investment returns and aggressive growth. Models use only our Aggressive strategy.

Each model consists of a different "target" Asset Allocation comprised of different asset classes<sup>6</sup> - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach to managing risk. The investment mix is uniquely designed to achieve your desired investment return. The selected stocks and other investment vehicles in your investment portfolio are diversified to reflect their risk profile.

Asset Allocation Model	Percentage of		
	Stocks	Mutual Funds	Cash
Income	40% - 65%	25% - 50%	0% - 20%
Moderate	70% - 85%	10% - 30%	0% - 20%
Aggressive	80% - 95%	0% - 20%	0% - 20%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by the client's investment parameters, which can compose a more detailed and/or complex structure.

### Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Sharia-compliant principals shun interest-based finance or investing. However, we are discussing market risk factors and how interest rates can affect the value of stocks. When the Federal Reserve attempts to control inflation

<sup>6</sup> The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Commodity Funds; Fixed Income, Partnerships, REITS, and Cash.





by increasing the federal funds rate, the Federal Reserve disturbs the lending practices of banks and money becomes more expensive to borrow. This creates a ripple effect across the economy; thus, impacting the behavior of consumers and businesses and how they spend.

- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.

## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Financial Industry Affiliation

In addition to serving as the President and Chief Compliance Officer of ShariaPortfolio, Naushad Virji also serves in the same capacity with Virji Investments, Inc., an investment advisor registered in the State of Florida. Mr. Virji's duties include providing operational oversight and conducting all investment activities on behalf of Virji Investments.

The time Mr. Virji devotes to the activities of Virji Investments can vary up to 20% of his time depending on his fiduciary responsibilities and regulatory reporting time constraints as part of his administrative duties. Mr. Virji's responsibility to Virji Investments may occasionally create a time management conflict that you should consider. However, we do not feel Mr. Virji's responsibilities to Virji Investments will distract from his duty to manage your investment portfolio. Regardless, we strive to serve your best interest and maintain our fiduciary responsibility by making you aware of circumstances that could adversely affect the management of your account(s) in compliance with the Investment Advisers Act of 1940, Rule 275.206.





## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Insider Trading Policy

We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

#### Class Action Policy

The Company **does not elect to participate** in class action lawsuits on your behalf. Such decisions shall remain with you or with an entity you designate. However, if you have specific questions you may contact us and we will help explain the particulars. Keep in mind, any final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with you.





## Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative (RA), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Virji reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Virji to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

The Company maintains custodial arrangements with TD AMERITRADE, Inc. ("TDA"), a licensed broker-dealer (member FINRA/SIPC/NFA), through their division TD AMERITRADE Institutional for investment advisors. TDA offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with TDA has no direct correlation to the services we receive from TDA and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with TDA that are typically not available to TDA retail clients. This creates an incentive for us to recommend Schwab based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products, tools and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information;





- ❖ Access to mutual funds with no transaction fees and to certain institutional money managers.

**We are not a subsidiary of, or an affiliated entity of, TDA.** We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from TDA.

### Direction of Transactions and Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** The advisory support services we received from TDA creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with TDA may have been influenced by these arrangements/services. **This is not the case;** we have selected TDA as our custodians of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience working with TDA staff.

Since we do not recommend, suggest, or make available a selection of custodians other than TDA, and we have not verified whether their transaction fees are competitive with another custodian, **best execution may not always be achieved.** Therefore, **you do not have to accept our recommendation to use TDA** as your custodian. However, if you elect to use another custodian, **we may not be able to provide you complete institutional services.**

### Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

If you would like additional information on our trading allocation policies, a copy is available for review upon request.



## REVIEW OF ACCOUNTS

ITEM 13

### Portfolio Management Reviews

Our basic service is active portfolio management and each account is reviewed daily, in the normal course of market observation, by Mr. Naushad Virji or the supervised person over your account. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from TD AMERITRADE, Inc. ("TDA") where your account(s) are held in custody. You are encouraged to review the trading activities disclosed on your account statements which summarizes your portfolio account value, current holdings, and all account transactions made during the quarter. It is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.

### Retirement Planning Reviews

#### Performance Reports

On a periodic basis, we will provide the plan sponsor and named fiduciary with a written performance evaluation of the investment(s) (herein called the Performance Report). The Performance Report reviews the performance of the retirement plan expressed by various modern portfolio statistics that compare the performance of the investment funds to the guidelines called for by the Investment Policy Statement. The Performance Report provides historical and comparative information, and may not be relied upon as predictive of future performance.

#### Portfolio Manager Reports

We will review fund data for all the Portfolio Managers on at least an annual basis, with respect to their overall performance in achieving the desired objectives of the plan sponsor's Investment Policy Statement.

The written review is directed to whether the Portfolio Managers' performance and discipline is consistent with the intent and objectives of the Investment Policy Statement. We will provide information to facilitate comparisons of the Portfolio Managers' overall performance benchmarks described in the Plan's Investment Policy Statement.

## CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

### Referral Compensation

We may directly compensate persons for client referrals provided such persons are qualified and have entered a solicitation agreement with us as required by Rule 206(4)-3 of the





Investment Adviser Act of 1940, as amended. Under such arrangements, if a solicitor referred you, the solicitor will provide you complete information on our relationship - the relationship between the solicitor and us - and the compensation the solicitor will receive should you choose to open an account. This compensation will be paid solely from our fee and will not result in any additional charge to you. In addition, we will adhere to each state's rules and regulations where the solicitor resides prior to entering into any solicitation agreement with that person.

The solicitor is not licensed to give you any investment advice and therefore cannot advise you on the management of your account. A solicitor simply makes an introduction and is compensated only if you were to open a management account with us under these arrangements.

### Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from TDA (See "Custodial Services" above under Item 12, "Brokerage Practices" for more detailed information on these services and products could be.).

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall be maintained with TDA as indicated above in Item 12, "Brokerage Practices."

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission's Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian (TDA) in a separate account in your name.
- ❖ Authorization to withdrawal our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

TDA is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report and/or itemized fee notice with the financial information disclosed in your account statement from TDA to verify the accuracy and correctness of our reporting.**

## INVESTMENT DISCRETION

ITEM 16

We have you complete our Investment Advisory Agreement which sets forth our authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.





You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. The custodian of your managed accounts will mail you all proxy solicitations. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any financial conditions that are likely to impair our ability to meet our contractual commitments to you.

**END OF DISCLOSURE BROCHURE**

