

In The Name of God, The Most Beneficent, The Most Merciful

July 10, 2024

### Fatwa – Legal Endorsement

#### Mercan Private Equity Fund I (MPEF I)

The Islamic Finance Advisory Board is an independent non-profit body, engaged in the promotion of Islamic Finance in Canada. We bring collective expertise of our scholars in providing Shariah compliant alternatives to conventional financial products.

The Board is pleased to oversee Mercan Group in developing financial products that allow the Muslim community and other faith-based groups to make investments on Shariah compliant basis. Such products are developed after close scrutiny of the Shariah principles and the local laws making sure that the products comply with both standards. The Board has worked with Mercan and has provided its expertise and opinion on Shariah compliant investment options.

In principle the Board endorses the Mercan Private Equity Fund I (MPEF I) as being “Shariah Compliant” to the best of our knowledge, as per the information provided to us by the company. Class A1 shares are based on the *Sukuk al-Ijarah* model providing fixed return on limited investment. As for Class A2 shares, being based on the *Musharakah* model with profit/loss sharing after completing five years of the project. Subsequent to our scrutiny, the Board finds that the Real Estate development project, its financing through the limited partnerships through Classes A1, A2 and B shares and the returns generated for its investor partners are Shariah compliant subject to the following conditions:

- All efforts should be exhausted to remove impermissible income for Muslim clients specifically.
- In the event the above condition may not be fulfilled, the impermissible income should be restricted at 5% or less of annual revenue, and
- The investor should be informed of the illicit amount so they may purge it from their return on investment every year.

We have been assured by Mercan Group that the limited partners are fully aware of all terms, conditions and risks involved in the project and that all conditions have been clearly explained to them before their investments. Our certification of compliance offers Muslims peace of mind and reassurance that they are following the teachings of their faith whenever they consider Shariah compliant investment options.

In addition to product advisory, one of the main functions of the Board is to conduct regular audits to ensure that the Fund continues to remain Shariah compliant. We will undertake periodic audits on the Fund to ensure future compliance as well.

On behalf of the Board, we wish Mercan Group and our fellow Muslims our sincerest regards,

Was-Salam,



Dr. Mohammad Iqbal Al-Nadvi  
Chairman/Shariah Scholar



Dr. Hamid Slimi  
Shariah Scholar



Sheikh Nafees Bhayat  
Shariah Scholar