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ETHIS ISLAMIC CROWDFUNDING REPORT

VOLUME 2



ETHIS CROWD

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EXECUTIVE SUMMARY

Crowdfunding is an emerging model that utilizes digital platforms to raise funds for specific companies, projects or campaigns, typically from the public, organisations or institutions. Islamic Crowdfunding is based on shariah principles and structures, or focused on Muslim needs and interests. Today, there is close to 10 active Islamic Crowdfunding platforms globally, with many more in the early setup stages.

Ethis is an early leader in Islamic Crowdfunding. We operate in 3 countries: Singapore, Indonesia, and Malaysia. We are also concurrently setting up and processing regulatory approvals in 2 other countries.

The word Ethis is a fusion of Ethical and Islamic. We strive to operate guided by the highest levels of Ethics and transparency, based on the universal principles of Islam.

This report provides insights into our Real Estate Islamic Crowdfunding activities on our main platform EthisCrowd.com, the world's first Real Estate Islamic Crowdfunding platform and one of the first investment Islamic Crowdfunding platforms in the world. EthisCrowd.com matches our global crowd to Impact Investments to develop Social Housing estates in Indonesia. This report seeks to give a snapshot of the performance of recent campaigns featured on our platform, as well as highlight essential features and factors of our concept and model. We believe this is essential to create deeper understanding of our role as a Crowdfunding platform, and to educate and align our crowd and stakeholders.

EXECUTIVE SUMMARY

Ethis recently expanded our scope into other areas. Ethis Ventures Malaysia is working on the setup of our ‘startup factory’ or ‘venture builder’ to develop and introduce new Fintech solutions for Islamic Finance. We launched GlobalSadaqah.com, focused on Islamic Social Finance. Global Sadaqah matches Sadaqah, Zakat and Waqf from the public and corporate donors to our network of credible charity partners.

As a pioneer Islamic Crowdfunding and Fintech company, we actively seek partnerships and collaboration with incumbent Islamic Economy stakeholders as well as startups. The challenges and needs of the Ummah and humanity today are huge, and we cannot do it in isolation. As a first-mover, we believe that we have an important role to play to unite and synergise the various Islamic Economy players and the general public to uplift the Ummah and bring benefit to humanity.

FOUNDER'S NOTE

Salam (Peace),

This is the first report we've published since our beginnings in Singapore in 2014. What began as a private investment club for Islamic Finance enthusiasts has evolved in 2016 into the world's first Real Estate Islamic Crowdfunding platform EthisCrowd.com.

Like every startup journey, ours was not without its challenges. Recognised as a first-mover in Islamic Crowdfunding, we were building the industry as we built our business. Our perseverance to the cause was rooted in a deep conviction that we were on to something significant that would have a huge positive impact on society.

In our journey, we faced and overcame various obstacles, from understanding and aligning with various parties including stakeholders, regulators, project owners etc. Another critical point for us was also educating and managing expectations of our crowd.

For a crowdfunding platform at a nascent stage, we strive to match our crowd and their hard-earned monies to the campaigns that we feature. We embrace this huge Amanah (responsibility) with full sincerity and hope. As much as we are unable to fully determine the final performance and outcome of campaigns, the moral responsibility and reputational risk for us is immense, and always will be. There is a long way to go and a lot of work to be done before we can reach the standards of experience and service that we aim for.

FOUNDER'S NOTE

This report is a compilation of our experiences and lessons from the past 4 years of intense efforts in building up the world's first Real Estate Islamic Crowdfunding platform.

We feel strongly that this is important, as it embodies the virtues of Islamic Crowdfunding that we preach - transparency and accountability. We also believe that other Islamic Finance and Crowdfunding Investments efforts in emerging countries will benefit from our pioneering experiences, as well as the solutions and enhancements we have implemented.

Crowdfunding and Fintech has brought the world an unprecedented opportunity to recreate financial ecosystems outside of banking. This is an especially important opportunity for Ethical and Islamic Investors to adopt and embrace true risk-sharing financing models that can create a more grounded and sustainable economy.

EthisCrowd.com has come a long way, and will keep pushing to provide the world an avenue to invest directly in Social Housing projects in Indonesia. We believe that impact investing through Crowdfunding is the future.


FOUNDER'S NOTE

Join us and help us to create even more impact than we have had so far. You, the crowd, is why we exist and your active role is critical for our success together.

Lastly, I'd like to sincerely thank all our investors and supporters, especially the early ones who invested at the start of our journey, and to those who are patiently waiting for their payouts. To those who have received your payouts and profits, we trust you had a good and fulfilling experience. Together, lets make money, have social impact, and #CirculateGood.



Umar Munshi
Co-founder & Managing Director
Ethis Group of Companies



Statistics and Infographics

Average ROI p.a.

14-15%



Average investment

SGD 5,000



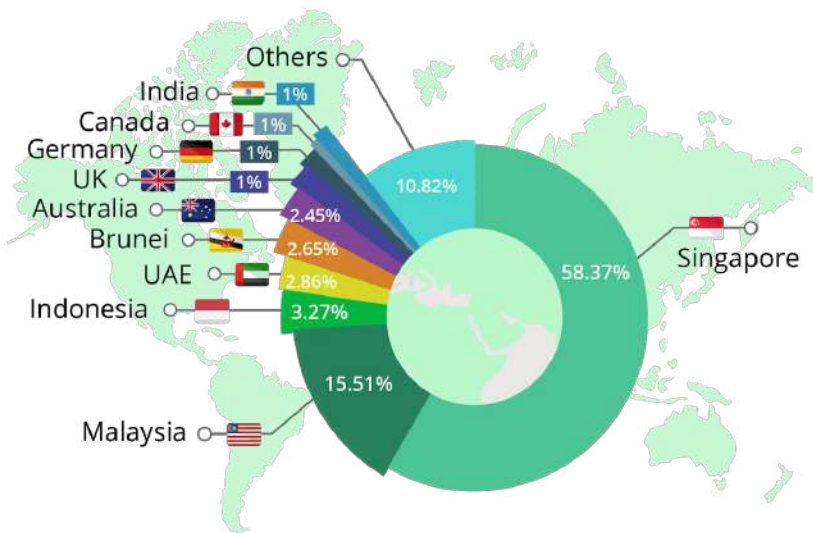
OVERVIEW



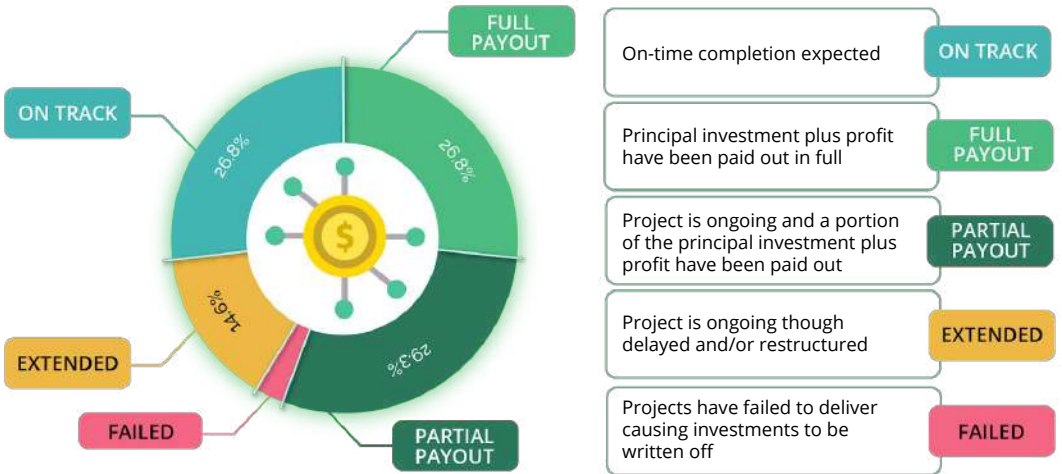
Average Project Duration

10-11 months

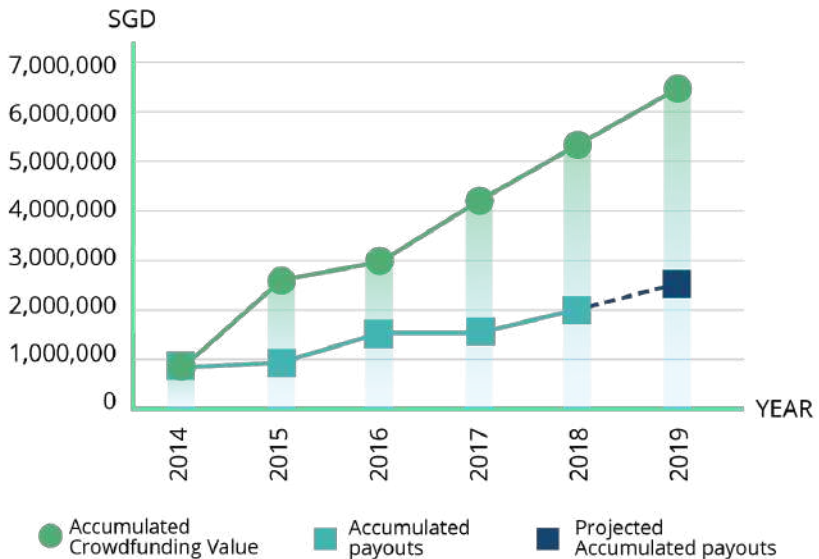
Investors by country of residence



Performance of Crowdfunding Campaigns



Crowdfunding Value vs Payouts



Compound Annual Growth Rate:

50.82%
Crowdfunding Value

24.65%
Payouts



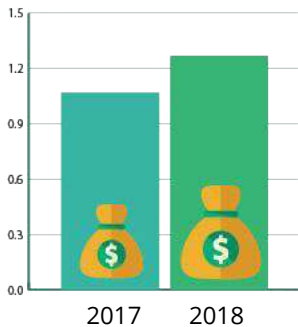
2017
124 units

2018
959 units

Increase in social impact and number of housing (7x)

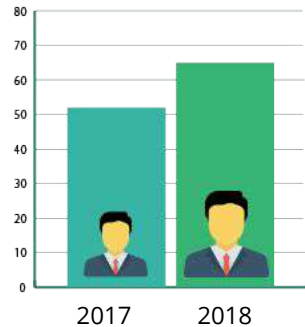
18% Increase
in crowdfunding amount

SGD million



25% Increase
in investor base

No. of Countries

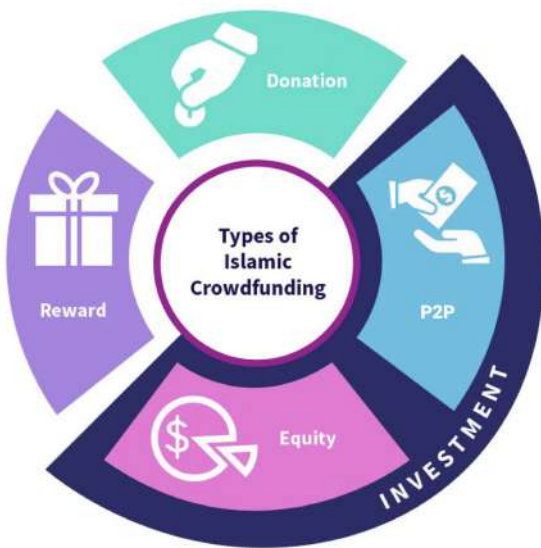




8 Things To Know about Ethis Islamic Crowdfunding for Social Housing

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1. Conventional Crowdfunding (CF) Types



CF is an emerging fintech model with vast applications, ranging from Rewards (non-cash incentives for the crowd), to Charity and of course Investment.

Investment CF includes Equity CF where the crowd can buy shares in private companies, P2P or peer-to-peer financing. The most common form of Investment financing in the mature CF markets of the US,

China and Europe is P2P, where the crowd earns interest or profit from providing loans to businesses, projects or individuals. There are other variations and hybrid financing models emerging such as revenue-based CF and 'loan-auctions' where the crowd bids to finance projects. Real Estate Crowdfunding is one of the fastest growing verticals* in CF.

*source: [Massolution](#)

8 Things To Know About Ethis Islamic Crowdfunding For Social Housing

2. Islamic Crowdfunding Marketplace for Investment

Ethis is one of few platforms globally that have actively implemented Islamic Finance models and structures for CF. We match our crowd to invest directly in real estate development and construction projects, focused on social housing in Indonesia. We have also on two occasions ran campaigns investing in construction and infrastructure.

Our crowd has invested in risk-sharing financing in the form of Mudarabah (non-equity) profit-sharing, where investors and project owners take up performance and default risk together and share project profits. We also use Murabaha, which is a direct sale and purchase of real estate assets or construction materials.

Over the past year, we have moved towards a refined variation of Murabahah which is the Istisna' + Murabahah model, where the crowd orders houses and assets from the developer and make progressive payments to contractors as these houses are built before selling them to Islamic Banks at a profit.

8 Things To Know About **Ethis Islamic Crowdfunding For Social Housing**

3. Our Role as a Crowdfunding Marketplace

We are essentially a matchmaker or agent, where we bring parties seeking funding to those interested to collectively provide their capital. Agreements and legal relationships are established directly between project owners and investors. We set project screening standards, formulate the investment model and organise the legal arrangements and transaction as agents of crowd-investors.

Our role at the start is focused on ensuring that we receive accurate and reliable information, which we then curate and feature on our platform for our crowd to understand and make informed investment decisions. Post-investment, we collect and verify information from our Indonesian team and partners, and provide updates to investors. A common challenge for us is to verify the information we receive, which can take a few physical visits and meetings with the project owner as well as other parties, thus requiring a few weeks before we can be confident of sharing the report with investors.

Having mainly served online retail investors over the past two years, we have recently set up a Corporate Investment team in Singapore to allow us to move towards a wider marketplace where we can serve and deal with various types of funds, from high networth investors and family groups to governments and institutions.



8 Things To Know About **Ethis Islamic Crowdfunding For Social Housing**

4. Additional Role in Indonesian Projects

The Ethis group includes PT Ethis Indo Asia (EIA) and PT Ethis Modal Syariah (EMS), fully-licensed companies for real estate development, construction and agency services in Indonesia. Both companies were setup as special vehicles to represent and protect the rights of EthisCrowd investors in our projects.

Among other roles, they may take up ownership of assets and collateral as security for investors and own equity in our local development partners and project SPVs. The ground projects team in Indonesia also visits projects for physical checks and collection of data to provide updates to EthisCrowd investors. The role of EIA and EMS to safeguard the interest of investors has proven to be critical, especially in cases where project partners are unable to fulfil post-funding requirements, which can trigger a full refund.

The companies was instrumental in ensuring that investors' capital and assets are protected. Importantly, They also manages relationships and collaborations with stakeholders, government bodies, industry groups, banks and real estate agencies.

8 Things To Know About **Ethis Islamic Crowdfunding For Social Housing**

5. Ethics and Social Impact

Ethis believes that our projects should be technically Shariah-compliant in its form, ethical in its substance and always seek to create maximum positive social impact. We believe that ethics in Islam is congruent with



universal good, and is acceptable to both Muslims and non-Muslims. We embody this in our slogan: ‘Make money, have social impact, circulate good’.

Our focus in Indonesia is mainly on providing funds to developers and contractors to construct social housing for low-income families. Most of our projects are part of the ‘1-million homes’ program by the Indonesian government*, where various forms of support and subsidies enable families with household incomes ranging from S\$400 to S\$700 a month to purchase their first home with a monthly payment of less than \$100. This is cheaper and much better than the typical situation for these families, where they are forced to rent and live in a room or even live in informal temporary housing.

*Source:

[http://www.setjen.kemenkeu.go.id/sites/default/files/\[tittle\]-2632014/download_materi_kpr_flp_p_pdf_20045.pdf](http://www.setjen.kemenkeu.go.id/sites/default/files/[tittle]-2632014/download_materi_kpr_flp_p_pdf_20045.pdf)

8 Things To Know About **Ethis Islamic Crowdfunding For Social Housing**

6. Philosophy on Wealth

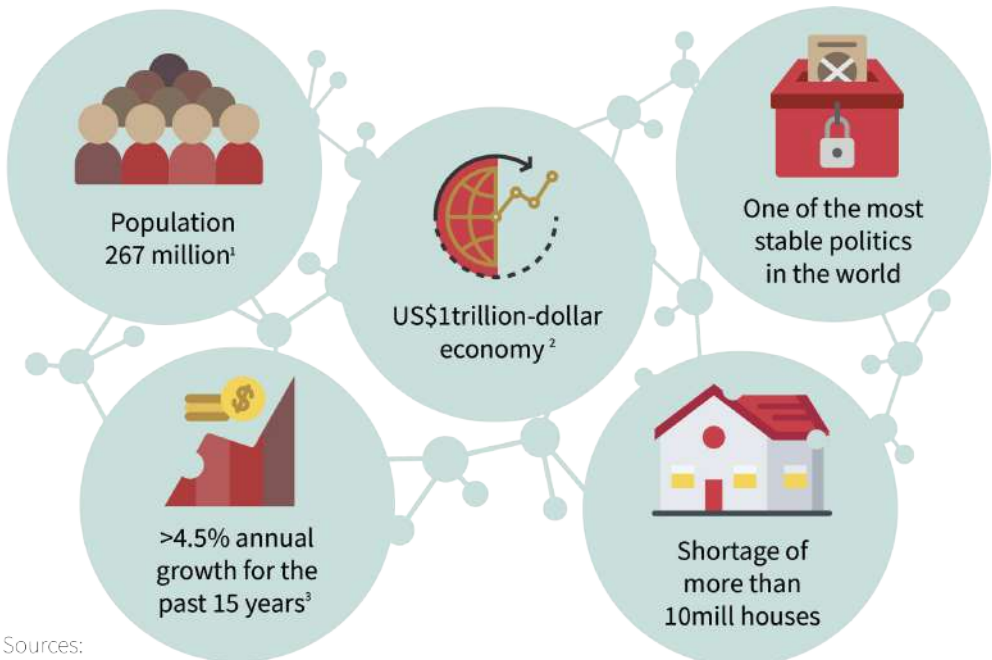
Islam allows for wealth to be privately owned. The accumulation of wealth is encouraged, as long as the principles of justice and fairness are observed, and Islamic Law is not compromised. At the same time, all the wealth of this world is temporary and entrusted to us by Allah swt as a blessing and a test for us. Islam emphasises on the circulation of wealth through business and trade and to do good with our wealth. Investment is an encouraged activity, as it generates economic and social growth through production and employment, and investing in an Islamic manner also keeps our attachment to wealth in check. We believe that the inherent participatory and risk-sharing elements of Investment Crowdfunding make it perfect for innovation and expansion of Islamic Finance.



8 Things To Know About Ethis Islamic Crowdfunding For Social Housing

7. Focus Country - Indonesia

Ethis focuses mainly on Indonesia, the largest emerging economy in the world after China and India. Foreign Investment into Indonesia has been growing strongly, at more than 8% a year over the past few years. It has also secured investment grade ratings last year from all three major debt-rating agencies, further attracting foreign capital. Even as the country becomes more investor-friendly, its real estate industry is still protected and largely dominated by domestic investments.



Sources:

¹United Nation

²Indonesian Finance Ministry

³World Bank

8 Things To Know About **Ethis Islamic Crowdfunding For Social Housing**

8. Social Housing in Indonesia

Indonesia faces a huge shortage of houses especially for its large and growing lower and lower-middle segment of society.

The government launched the ambitious ‘1 million homes’ a year program in 2015. This target has yet to be reached, with reports from the Housing Ministry stating that 1.5million houses were built in the 2 years up to the end of 2016. Only low-income families with stable monthly incomes of below IDR4mill (appx S\$400) to IDR7mill (S\$700), depending on the region, qualify for this program. A big part of this program is the ‘Fasilitas Likuiditas Pembiayaan Perumahan (FLPP)*’, loosely translated as ‘Home Financing Liquidity Facility’ provides subsidised home financing through selected banks. In addition, development projects that qualify for the FLPP program are given allowances and concessions to make it faster and easier to obtain permits and government approvals.

*<http://reg5.perumnas.co.id/flpp/>





Conclusion

Conclusion

We have accomplished strong proof-of-concept over the past 3 years, with successful campaigns as well as a few challenging ones. Real Estate development and construction has proven to be highly attractive, especially since our project-financing structure allows PT Ethis to secure physical assets on behalf of crowd-investors.

Moving forward, Ethis will focus on scaling up our Social Housing campaigns and projects in Indonesia. We have a large pipeline of quality projects with our local developer partners, and will also be embarking on projects with PT Ethis.

EthisCrowd has strengthened its leadership with proven Islamic Finance leaders joining over the past year. Alhamdulillah we also have institutional investors and high-networth individuals on board with us, which will allow us to take on larger projects. In Indonesia, PT Ethis has built a strong ground and technical team to manage this increased volume.

Ethis has also forged strong relationships and partnerships with financing banks and real estate industry stakeholders in Indonesia, including government bodies and developer organisations. This is expected to reduce delays, and provide a more open and supportive ecosystem for our expansion.

We look forward to your continued support and participation as we surge forward together to build houses for families striving for a better future, and in the process make a healthy and sustainable profit together, inshaAllah.

Connect with us on Social Media





Artist Impression of Casa Ethis Subsidised Housing Estate