

July 12, 2016

Dear Azzad Funds Shareholder,

In the world of equities, the second quarter of the year was anything but dull. April saw the large-cap S&P 500 and Dow make marginal gains, with the small-cap Russell 2000 and the Global Dow leading the way for the month. The Federal Reserve left interest rates at their 0.25%-0.50% range, noting that economic growth had slowed since the beginning of the year. May ended up being another good month for equities as major indexes posted positive monthly returns. June started out with relatively lackluster returns for stocks as labor added only 38,000 new jobs and the Fed, once again, reiterated its reluctance to raise interest rates based on lagging inflationary trends, a weakening jobs sector, and sluggish exports.

But the month and quarter ended with a bang, primarily precipitated by the UK's referendum vote to withdraw from the European Union, which sent stocks around the world into a dramatic tailspin, felled the British pound by over 10%, and drastically cut some long-term bond yields, especially on Japanese sovereign debt. Nevertheless, by the last day of the quarter, stocks regained much of what they had lost. Of the major stock indexes, only the Nasdaq lost value quarter-to-quarter. The Dow and S&P 500 posted quarterly gains of 1.38% and 1.90%, respectively.

#### **Azzad Ethical Fund (ADJEX)**

The Azzad Ethical fund returned -0.66% during the second quarter of 2016, trailing the Russell Midcap Growth Index's 1.56% return. Mid-caps once again outperformed their large-cap counterparts, but trailed small-caps. Value stocks extended their year-to-date lead over growth names, driven in part by investor desire for income and perceived lower risk.

On a sector basis, energy, telecommunications, and consumer staples performed well during the quarter, at the expense of consumer discretionary and industrial names. The portfolio saw a nice rebound in materials, where fundamentals continue to improve. Our largest position in International Flavors & Fragrances saw better than expected sales growth and encouraging trends for the rest of the year. The consumer staples sector was also a source of positive performance. Our position in United Natural Foods rebounded over the three months as they integrated recent acquisitions. One of our newer holdings, the fast-growing dairy and soy milk producer Whitewave Foods, continued to post impressive sales growth. Whitewave has since received a takeover bid from Danone in early July, validating our investment thesis.

Fund holdings in the industrial sector had a trying quarter. Alaska Air Group had to deal with uncertainty surrounding their merger with a rival, while Stericycle and Robert Half International sold off after less than inspiring earnings releases. Within health care, our shift away from biotechnology and towards health care equipment and services was a positive, but in that industry, our distributor names like AmerisourceBergen put up pedestrian returns, hurt by waning generic drug price inflation.

### **Azzad Wise Capital Fund (WISEX)**

The Azzad Wise Capital Fund returned 0.69% versus the BofAML US Corp. & Gov. 1-3 Yr. benchmark return of 0.66%. Precipitated by a rebound in commodity prices, which hit the lows for this cycle in mid-February, the second quarter was dominated by a strong rally across most risk assets. Near quarter-end, the United Kingdom's aforementioned referendum on its membership in the European Union took center stage. Most risk assets sold off during this period, but they quickly stabilized and made up much of the lost ground.

The best performing sukuk over quarter was the Dubai Investment Park 2019. This was followed by the Indonesia 2022 sovereign sukuk and the Axiata 2020 sukuk (Malaysia). Laggards this quarter were sukuk issued by the Islamic Development Bank. This can largely be explained by a general migration toward higher-risk/higher-return sukuk during the period.

The Fund's allocation to dividend-paying stocks was a contributor to outperformance for the quarter. The best performers included Archer-Daniels Midland, C.R. Bard, and Johnson & Johnson. Detractors included The Coca-Cola Company, PPG Industries, and Public Storage.

On the Islamic bank deposit front, we saw profit rates level off, a trend we plan to counter by increasing the number of banks at our disposal going forward. In the coming quarter, our aim is to steadily increase the Fund's overall income profile, while continuing to maintain a prudent level of duration.

Thank you for your continued trust and investment in the Azzad Funds.

Sincerely,



Jamal Elbarmil  
Vice President and Portfolio Manager

***The performance quoted represents past performance, which does not guarantee future results.*** This summary represents the views of the portfolio manager as of June 30, 2016. Those views may change, and the Funds disclaim any obligation to advise investors of such changes. The Azzad Funds are self-distributed and available by prospectus only. A free copy of the prospectus, which contains information about the Funds' risks, fees, and objectives, and other important information, is available at [www.azzadfunds.com](http://www.azzadfunds.com) or by calling **888.350.3369**.

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment. The Bank of America Merrill Lynch US Corporate & Government Master Index tracks the performance of US dollar-denominated investment grade Government and Corporate public debt issued in the US Domestic bond market, excluding collateralized products. The Midcap Growth Index measures the performance of the mid cap growth segment of the U.S. equity universe. It includes those Russell Mid Cap Index companies with higher price to book ratios and higher forecasted growth values. The index is unmanaged and an investment cannot be made directly in this or any other index.*