

# Access to Islamic Capital

## Middle East: Beyond the Suitcase Banker

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## Is Middle East Business Meaningful?

“Cultural demonstration” sweeping the Islamic Crescent is creating a captive market:



Islamic banks have been relatively unscathed by the credit crisis, suggesting expansion potential as the global economy recovers.



Islamic asset management is an increasingly defined discipline, supported at this point in the cycle by lack of exposure to conventional financial-sector stocks.



Islamic funds may have increased four-fold over the past five years, with one data provider indicating that there are more than 700 such programs now in the market.

# Islamic Crescent: Breadth and Depth

## Representative Asset Sources by Region

	Gulf	Subcontinent	Southeast Asia	Europe
<b>Regional Banks (Treasury)</b>	Yes	No	Yes	Yes
<b>Asset Managers</b>	Yes	No	Yes	Yes
<b>Retail Distribution</b>	Yes	No	Yes	No
<b>Government-Related Institutions</b>	Yes	No	Yes	No
<b>Wealth Management Firms</b>	Yes	No	Yes	Yes
<b>High Net Worth/ Family Offices</b>	Yes	Yes	Yes	Yes
<b>Islamic Insurance (Takaful)</b>	Yes	No	Yes	No

## Who Invests in Islamic Funds?

Investors in Islamic funds do not have to be Muslim. Nor do Muslims, of course, invest only in Islamic funds.

The major accumulation of wealth in the Gulf suggests that may be where the bulk of opportunities exist, but the Islamic Crescent is more than the six-member GCC.

Institutional demand, especially in Saudi Arabia, is moving the business beyond its historical roots in the retail banking segment.

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## How Can an Asset Manager Benefit?

Pursuing assets in the Islamic Crescent offers several advantages:



Supported by a petrodollar backbone, the Islamic sector remains among the most durable in global financial services, marked by a real-asset-based, risk-sharing character.



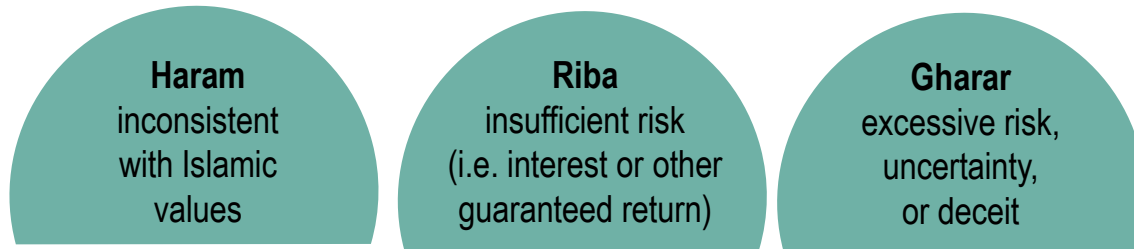
Recognition in the Islamic sector helps a manager build a global brand for positive impact on both conventional and Shariah-compliant product lines.



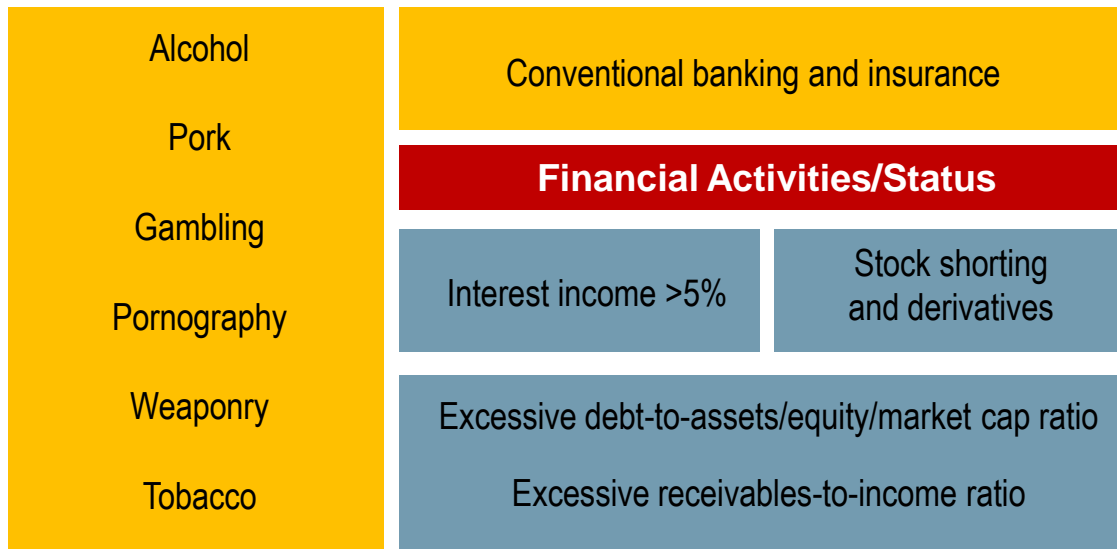
Gathering fresh assets provides managers with the potential for performance fee income, even as existing vehicles take the long climb back above high-water marks.

# Shariah-Compliance Guidelines

## Shariah Principles Applied to Investment Screening



### Business Activities



## Interpreting an Ethical Discipline

Islamic investment guidelines are based on Shariah, a code of behavior that governs all dimensions of a Muslim's dealings in life. When we are working with a client to create a Shariah-compliant fund, we and our Shariah advisors provide both general and custom-tailored assistance in interpreting Shariah guidelines for application to broad asset classes and to individual investment targets. The diagram at left suggests basic tenets in determining compliance in this investment space .

While interpretation varies among scholars ,the activities and practices listed above are among those commonly defined as inconsistent with Shariah-compliant investment. Financial ratios are based on those used by major indices. Source: Codexa Capital.

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## Key Issues in the Post-Crisis Era

The Middle East has changed dramatically in its complexity over the past 10 years:



Multiple jurisdictional authorities now exist: Dubai, Qatar, Bahrain. Investors now have a preference for product authorized/registered by local regulators.



In a deglobalizing world, the relatively stable economies of the Middle East may afford important shareholder growth and diversification opportunities for asset managers.



Building investor confidence requires transparent, intelligent, and relevant communication. These are areas where “suitcase bankers” often fail.

# Case Study: Sri Lankan Equity Fund



## Pursuing a “Tiger” in the Indian Ocean

### Market Opportunity:

- First offshore Sri Lankan equity fund, so Islamic structuring adds further appeal
- Colombo is small, but impressively regulated among frontier-market cohort
- Highly cyclical economy because of its exposure to international trade

### Structure:

- Bahrain-authorized “expert” vehicle
- Dow Jones Islamic Market Index as buy-list for core fund holdings
- International investment committee to advise on global context

### Positioning:

- Sri Lankan managerial class working in the Gulf provides affinity potential
- Asian fund-of-funds programs also buyer focus, as the only offshore fund to access this story
- Strong historical returns overcome perception biases

### Follow Through:

- Fund derailed by credit crisis
- Low asset target gives us confidence we can identify an asset base for the program in a healthier capital-raising environment

# Our Capabilities

## Two Firms With Five Areas of Focus



	<b>CODEXA</b> CAPITAL	<b>CALYX</b> OFFSHORE
	Islamic	Conventional
<b>Product Development: <i>Crafting</i></b>	✓	✓
<b>Asset Advisory: <i>Structuring</i></b>	✓	✓
<b>Corporate Finance: <i>Solving</i></b>	✓	✓
<b>Capital Introduction: <i>Finding</i></b>	✓	✓
<b>Investment Research: <i>Analyzing</i></b>	✓	✓

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