

## **The development of Syariah-compliant Structured Investment Fund – The Malaysian experience**

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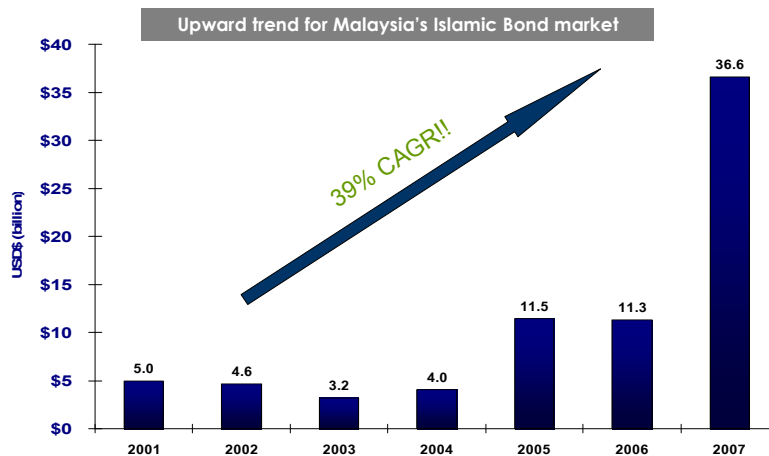
## **Malaysia's Islamic Capital Market**

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- A global leader in Islamic Capital Market
  - As at end of 2007
    - Total Islamic Bond Market- US\$37 billion
    - 134 Islamic Unit Trust Funds with a net asset value of US\$5.2 billion
    - First Global Sukuk - Guthrie's US\$150 million in 2001
    - First Global Sovereign Sukuk – Malaysian Government's US\$600 million in 2002

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- Malaysia is taking its Islamic Capital Market to the next level by *allowing foreign funds to market and distribute its products directly*
  - Malaysia is recognized as a major force in Islamic finance as more than 30% of the world's Syariah listed equity funds are listed in the Bursa Malaysia

- The 5-year US\$600 million sovereign Sukuk: The first ever international sovereign Islamic bond ever issued by any government was launched in June 2002
- Since the first Sukuk in 1990 until end-2007, the Malaysian Islamic Bond Industry grew at a CAGR of 39%!!
- As of end-2007, Malaysia amounted to two thirds of global Sukuk outstanding

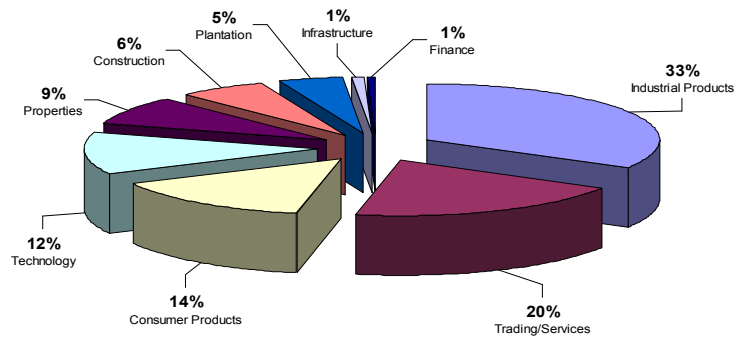
## Sukuk Approved from 2001-2007



Source: Securities Commission (2008)

## As of May 2008, 843 securities (or 85% of the Malaysian index) are Syariah compliant

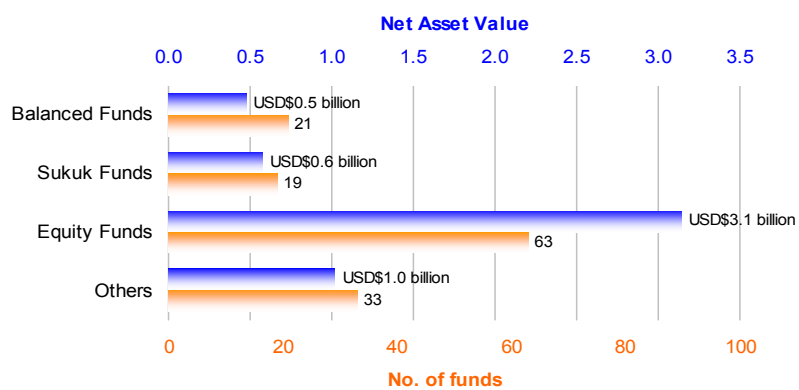
- Market Capitalization of Syariah-compliant securities - USD\$191 billion
- Total Market Capitalization – USD\$302 billion



Source: Securities Commission (2008)

- Malaysia's unique position as a hub of Islamic products (from origination to distribution) for many financial institutions
- Untapped opportunities in the *Islamic Private Equity, Wealth Management, Islamic Unit Trust, Islamic Exchange Traded Fund (ETF)* and *Real Estates Investment Trust (REIT)*

## Syariah-based Unit Trust Funds by Category



Source: Malaysia Islamic Capital Market, Securities Commission (2008)

## Selected Historical Highlights

Key Highlights in Malaysia's Islamic Capital Market:

- 1990: Issuance of first Islamic Corporate bond by Shell MDS Sdn Bhd
- 1993: Launch of first Islamic Equity unit trust fund by Arab-Malaysian Unit Trust Bhd
- 1994: First full fledged Islamic stockbroking company, BIMB Securities, was established
- 1999: Launch of the KLSE Syariah Index
- 2000: Launch of the first Islamic bond fund by RHB Unit Trust Management
- 2001: Issuance of the world's first Global Sukuk by Kumpulan Guthrie
- 2002: Issuance of the world's first Global Sovereign Sukuk



# Safeena Islamic Fund

by Safeena (L) Ltd  
Incorporated under the  
Offshore Companies Act 1990, Malaysia

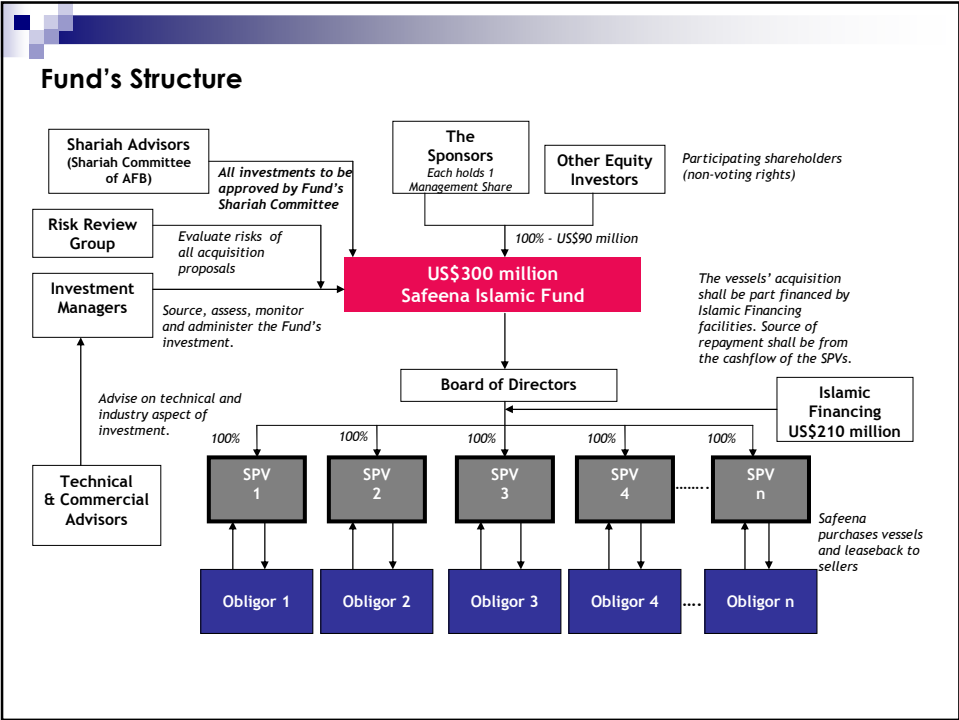


## Objective

“To provide long-term stable return as well as providing sophisticated investors with a new asset class of Syariah-compliant investment product”

## Overview

- Safeena (L) Ltd is a Syariah-compliant, 10-year closed-end fund constituted via mutual investment scheme in the form of incorporated entity in the tax haven of Labuan, Malaysia
- The total fund size is US\$300.0 million
- The Purchase Price is US\$1,000 per Participating Shares with non-voting rights
- Minimum investment per investor is US\$5.0 million



- ### Investment Strategies
- **Active Charter and Investment Management Strategy**

- The Managers will seek to achieve attractive and sustainable returns taking into consideration factors including charter rates, charterer's track record and creditworthiness, charter tenure and mix
  - **Acquisition Growth Strategy**

- Pursuing growth opportunities via acquisition of additional vessels to enhance yields and return for participating shareholders while improving portfolio mix and enhancing versatility in the development of vessels
  - **Capital Management Strategy**

- Paying down the financing facilities throughout the financing period and employing an appropriate mix of financing and equity in the acquisitions of the investment portfolio.

### Why is it attractive?


- High cash Dividend Yield – Targeting **90-100%** dividend payout with target average cash dividend yield of **8-10%** per annum
- High Equity Returns – Targeting equity IRR of between **12-15%** per annum
- Income Growth Opportunities as the Fund continues to purchase additional vessels
- Robust Sector Exposure – Opportunities for investors to participate in the robust & strong sector as the focus is on oil & gas bulk carriers and offshore support vessels
- Potential IPO – Opportunities to participate in IPO for added liquidity and potential capital gain

AMANAHRAYA ■ REIT



## AMANAHRAYA-REIT

- AmanahRaya REIT was listed in February 2007 with initial 8 properties comprising Office Buildings, Hotels, Industrial Properties and Higher Learning Institutions Building.
- AR-REIT was the first REIT in Malaysia established by a Government-owned company (GOC), with total injection value of RM336.85 million.
- During the IPO, AR-REIT was 12 times oversubscribed for the retail portions and for private placements, more than 60% was subscribed by foreign funds / institutions.
- As committed in the prospectus, AR-REIT has distributed 100% of its income in 2007 via three (3) distributions – total dividends distributed for the period of 26-Feb-2007 (listing date) to 31-Dec-2007 will be 5.4412 cents per unit which gives an annualized yield of 6.9% based on the IPO price of RM0.94 per unit.

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- On 28-Dec-2007, AR-REIT has completed the acquisition of additional 5 properties at total acquisition value of RM308.67 million. Upon the acquisition, AR-REIT has become the 2nd biggest REIT in Malaysia in terms of properties' value with total asset in book at RM645.52 million.
  - Upon the injection of these 5 properties, the gearing level has been paired down to below 40% and AR-REIT has higher projected yield for 2008 at 7.4%.
  - AmanahRaya JMF Asset Management Sdn Bhd will continue to grow the fund and plan for additional injection of assets in 2009. The asset injections will further diversified the risk of assets in terms of locations and sectors with and objective to enhance the yield.



# Al-Nibras 1

Managed by Kuwait Finance House (Labuan) Bhd  
and  
AmanahRaya Investment Bank (Labuan) Bhd



## Overview

Al-Nibras 1 is a private mutual fund incorporated in Labuan and managed by Kuwait Finance House (Labuan) Bhd, which invests in real estate development and completed properties in Asean region. It focuses on:

- Malaysia
- Singapore
- Vietnam
- Thailand

The total fund size is US\$200 million

The Expected IRR is 25%

The proposed Annual Cash Yield of 8%

The expected holding period of 5+1+1 years



# Islamic Green Fund



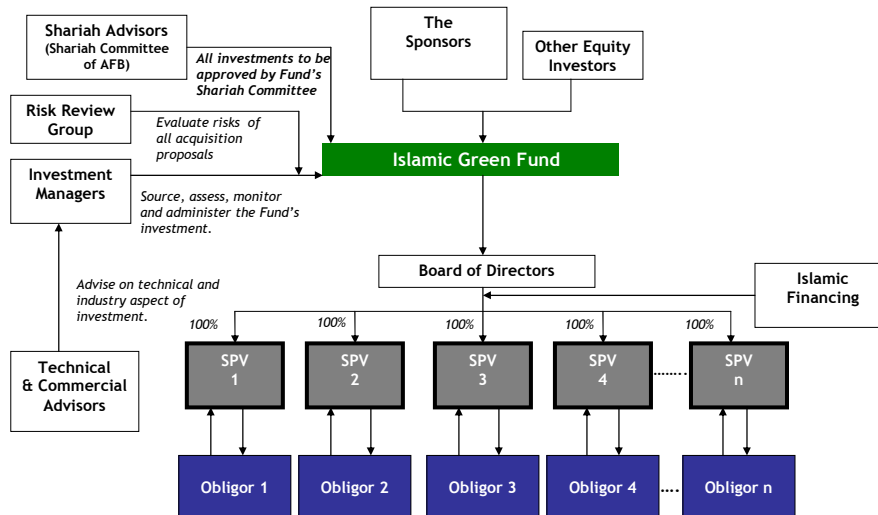
## Objective

“Achieve long-term return, which matches the performance of other real estate funds”

## Overview

- The estimated fund size is US\$200 million
- High Returns – Targeting returns of between 10-15% per annum
- Strategy
  - Invest in companies, which are pioneers in leading the way toward a greener future such as low carbon product and services
  - Invest in companies that have secured long term contracts in Green Projects preferably with government guarantee on power purchase agreements with the minimum expected return of 10-12% per annum
  - Invest in companies that have good and proven track record in managing green projects globally

## Fund's Structure



## Kyoto Protocol

Briefly, the Kyoto Protocol is a protocol to the international Framework Convention on Climate Change with the objective of reducing Green House Gases that cause climate change. It was agreed on 11 December 1997 at the 3rd Conference of the Parties to the treaty when they met in Kyoto, and entered into force on 16 February 2005.

As of November 2007, 175 parties have ratified the protocol. Of these, 36 developed countries including EU are required to reduce Green House Gas emissions to the levels specified for each of them in the treaty.

One hundred and thirty-seven (137) developing countries have ratified the protocol, including Brazil, China and India, but have no obligation beyond monitoring and reporting emissions.



## Waste-to-energy: Introduction

Waste to Energy, or WtE, is a recovery of energy from wastes by incineration, gasification, depolymerization, anaerobic digestion, or any other methods available scientifically.

Statistically, WtE is used to dispose of about 8% of domestic wastes produced in the US, one of the nations that produces the highest amount of municipal/domestic wastes in a year. Almost all of the WtE capacity utilizes the **incineration** method, because this is generally the cheapest and most proven way to get energy out of waste.



## Carbon Market

- Carbon transactions are defined as a purchase contract by one party paying another party in cash, equity, debt or in-kind, in return for Green House Gas ("GHG") emission reduction or for the right to release a given amount of GHG emissions that the buyer can use to meet its compliance.
- Two types of carbon transactions:
  - Allowance based transactions:** purchase of emission allowances created and auctioned by regulators
  - Project based transactions:** purchase of emission credits from projects that demonstrate GHG emission reductions
- Carbon credits are predominantly traded amongst European private buyers, government agencies, US multinationals, power retailers regulated by NSW market, Australia and North American companies through Chicago Climate Exchange.



## **Funding Alternatives**

Funding alternatives available through, amongst others the following:

- Issuance of bond and private debt papers
- Project financing
- Private equity funds
- Special grants from the government

Global investments in the clean energy sector grew more than USD100 billion in 2007, despite difficult credit condition and it has surpassed USD83 billion invested in 2006. (quoted from the press release issued by New Energy Finance on 2 January 2008)



**Thank You**