

Land of Yes Assessing Turbulent Times

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Key Messages

Wisdom and Reason for 2009

- **Bad economies are not bad investments**
 - Investment cycles move in advance of economic cycles
- **Research is not an afterthought**
 - Revisit asset allocation strategies to be in the “right place at the right time”
- **Islamic themes offer portfolio grounding**
 - Ideas abound to put cash to work



Key Message 1

Bad economies are not bad investments

- **Interest-rate cuts are powerful**
 - Buy nominal assets—stocks
- **Fiscal stimulus is added bonus**
 - Consider infrastructure and capital goods themes
- **Distressed sellers create opportunities**
 - Look closely at real estate
- **Emerging markets are no longer marginal**
 - China and India may drive growth



Key Message 2

Research is not an afterthought

- **Liquidity cycle created easy money; now back to the hard work of portfolio strategy and analysis**
 - More than mean-variance optimization
- **Asset allocation is different from diversification**
 - Tilting and turning as the landscape shifts
- **What are the implications of a global strategy for an Islamic portfolio?**
 - Excluding financials may not mean outperformance



Key Message 3

Islamic Themes Offer Portfolio Grounding

- **Defensive: Managing cyclical impact**
 - Protect intuitively against further downside
- **Transcendent: Spilling across borders**
 - Embrace the Ummah and its needs
- **Durable: Withstanding fashion**
 - Avoid the perception of risk



Approaches Focused on the Ummah

- **Cultural Demonstration**
 - Creating a “pride of place”
- **Frontier Markets**
 - Following dominant or sizeable Muslim populations
- **Urbanization**
 - Investing in bulging cities from Cairo to Karachi
- **Remittance Flows**
 - Following enriched labor pools



Concepts Oriented to Industries

- **Life Sciences**
 - Moving ahead of the aging curve
- **Agribusiness**
 - Identifying food-source development
- **Energy-Intensive Sectors**
 - Extending comparative advantage



Ideas Based on Demographics

- **Infrastructure**
 - Making countries and regions more productive
- **Home Ownership**
 - Addressing gaps in development policies
- **Rural Empowerment**
 - Integrating distant communities into economic core



Working in the “Land of Yes”

- Investment landscape severely bifurcated

Land of No	Land of Yes
Gripped by Fear	Driven by Opportunity
Misled by Tactics	Focused on Discipline
Whipsawed by News	Grounded by Themes



Closing Thoughts

Issues for the Islamic Investor

- **Cash can be deployed constructively**
 - Islamic world has unprecedented leadership position
- **Home-market bias may backfire**
 - Insularity is akin to protectionism
- **Shariah-compliance is not a cure-all**
 - Quality, precision, and due diligence matter



Calyx Financial

- **Formed after 9/11 to build bridges between US and non-traditional financial centers**
 - Wall Street-headquartered, focused on Islamic world
 - Serving only offshore markets with Shariah-compliant investment products
 - Fund pipeline started with Islamic fund-of-funds, moving toward second phase of single-strategy products
 - Strategic advisory work for medium-sized enterprises



Connecting Markets for Islamic Investors

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