

The New Mainstream: Islamic Private Equity and Competitiveness

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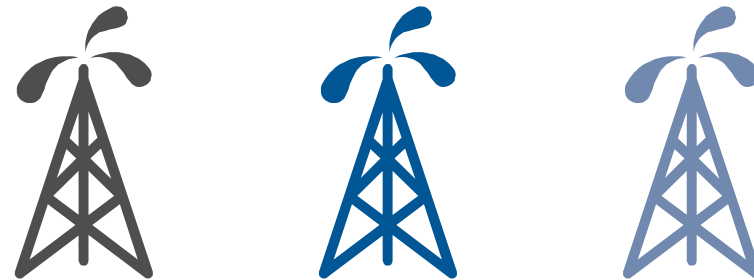
Dow Jones Private Markets

Islamic Finance: A Growing Sector

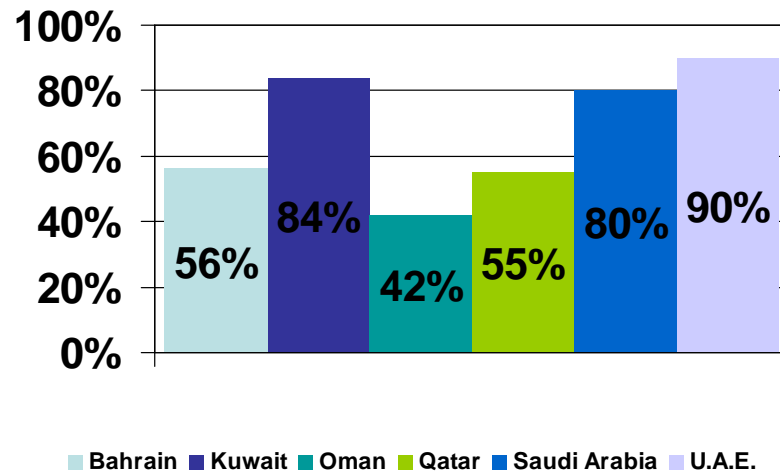
- **Currently over 300 Islamic financial institutions**
 - located in over 75 countries
 - deposits exceeding \$120B
 - assets under management in hundreds of billions of Dollars
- **Multinational banks offer Islamic facilities**
- **Increasing number of *Shari'a*-compliant debt and equity structures**

Benefits of Private Equity in the Middle East

- Improved economic diversification
 - 41% of GCC GDP dependent on oil and gas



Projected GCC Population Growth
2007-2050



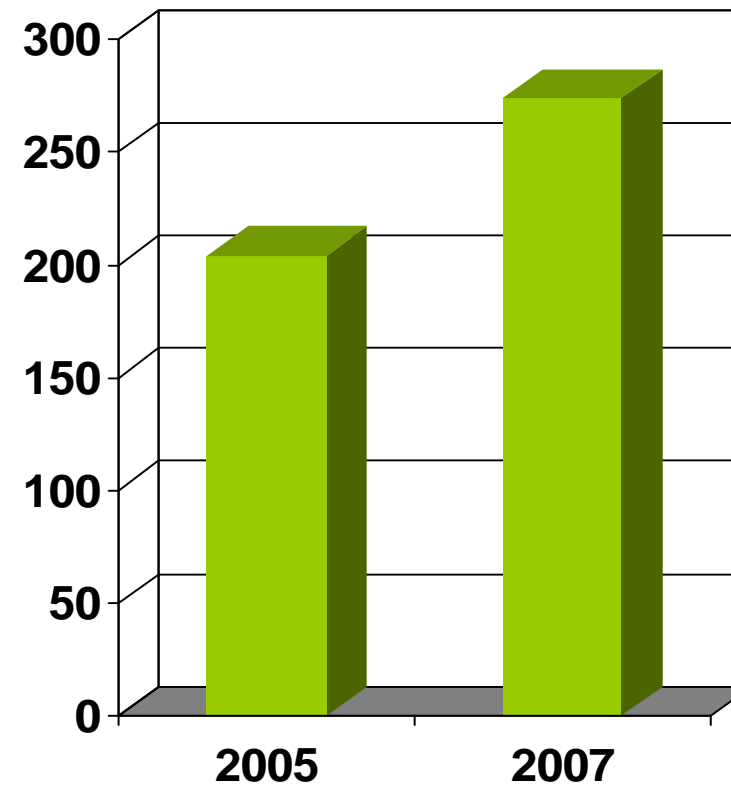
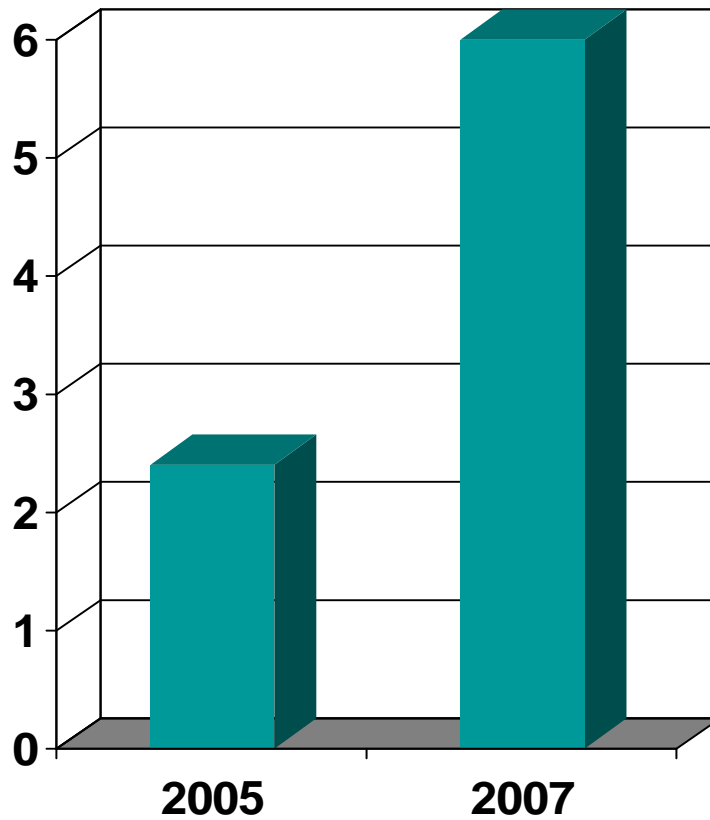
2007 World Population Data Sheet, Population Reference Bureau, August 2007

- Employment rate can improve
 - growth of PE-backed companies will be able to absorb increasing size of labor market

Benefits of Private Equity (cont'd)

- **Vigorous liquidity environment**
 - Consistent, strong capital inflows
- **Opportunities for family-owned enterprises**
 - estimated to control 90% of GCC commercial activity
 - such businesses becoming more professional
 - chance for these businesses to grow further and realize additional value from their ownership

GCC Private Equity Fundraising



■ Total Amount Raised (\$B)

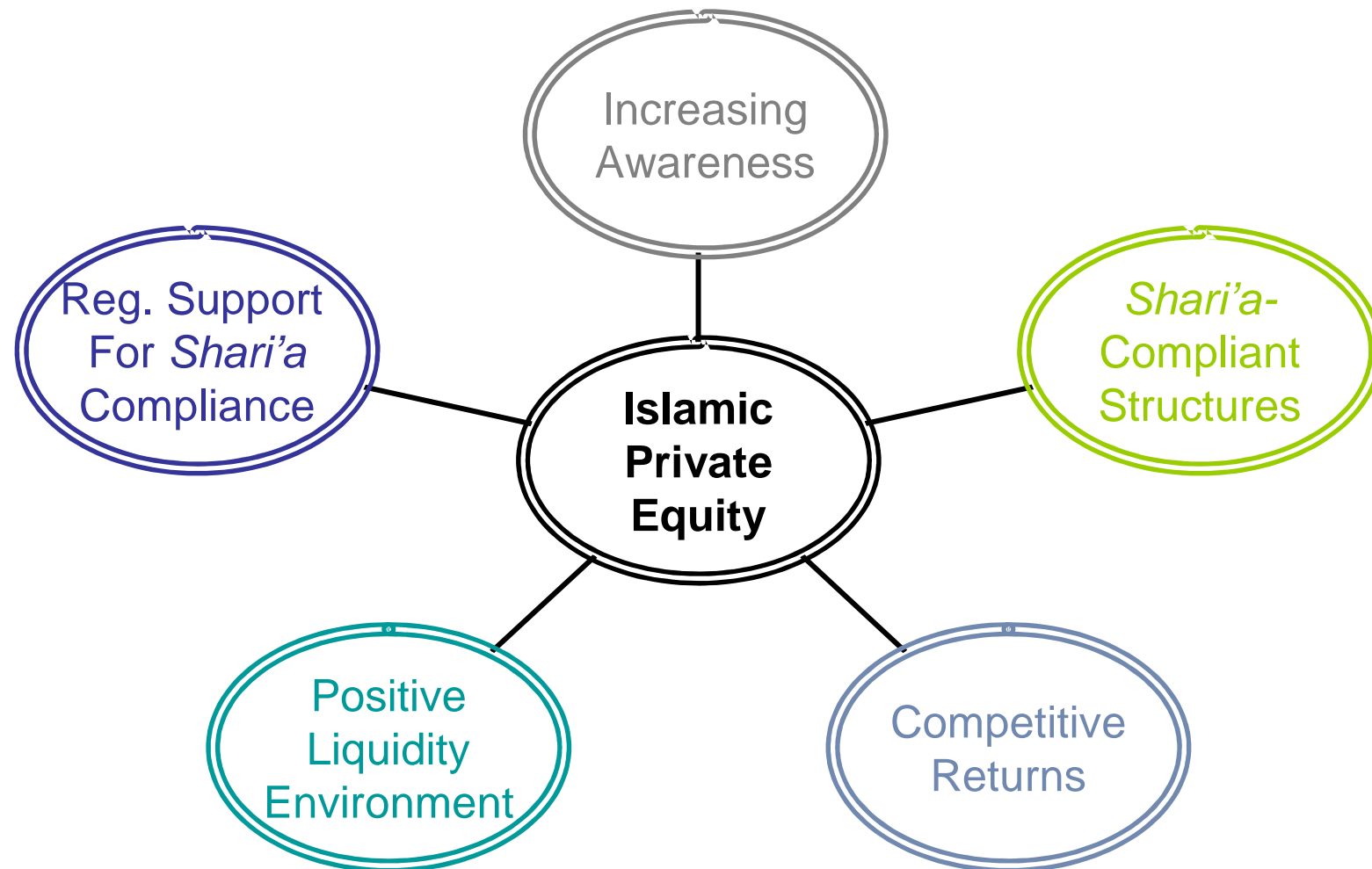
■ Average Fund Size (\$M)

Private Equity & Venture Capital in the Middle East 2007 Annual Report, GVCA & KPMG, April 2008

Advantages of *Shari'a*-Compliant Private Equity

- **Emphasis on active participation**
 - investor and entrepreneur share risks and rewards
 - continued *Shari'a* compliance demands oversight
- **Requirement of full disclosure removes uncertainty**
 - additional scrutiny of investment opportunity reduces exposure to riskier investments
 - symmetrical information sharing encourages cooperation
- **Lack of reliance on debt trading**
 - higher percentage of equity in transaction leads to increased stability
- **Family-owned enterprises open to *Shari'a* compliance**

Enabling Factors for Islamic Private Equity



Future Efforts to Enhance Efficiency

- **Industry Standardization**
 - enables consistency
 - AAOIFI regulations improve credibility
 - IFSB regulations on corp. governance & risk management

- **Financial Engineering**
 - new structures create opportunities
 - efficient tax & *Shari'a* structures increase returns
 - should never dilute *Shari'a* authenticity

Laying the Foundation for Investing

- **Growing pipeline of *Shari'a*-compliant deals available**
 - *Shari'a* structuring allows deals to occur globally
 - Large number of more-professional, family-owned businesses increases potential deal flow
 - Early-stage companies positioned for equity investment
- ***Shari'a*-compliant Private Equity provides same value creation as conventional private equity**
- **Focus on corporate governance will ease exit possibilities**

Summary: The New Mainstream



***Shari'a* Private Equity will attract capital**



Further *Shari'a* standards and financial engineering will increase efficiency



Competitive returns and increased deal flow will create opportunities to invest