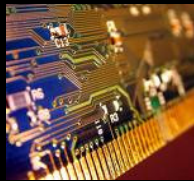


2nd ISLAMIC VENTURE CAPITAL AND PRIVATE EQUITY CONFERENCE 2009



www.mavcap.com

mavcap

ABOUT MAVCAP

- Incorporated on 19th April 2001
- Wholly owned by the Minister of Finance Inc
- Malaysia's largest technology VC firm
- Fund: RM970 million
- Investment Programs:
MAVCAP 100, MAVCAP 110, MAVCAP 120 and
Outsource Partners Program (11 partners of which
Musharaka is Malaysia's first Islamic VC fund)
- Employs & train the largest number of VC professionals
in Malaysia

STRATEGIC DEVELOPMENT

1. Provide an alternative source of risk capital to companies in the ICT and high-growth areas;
2. Provide entrepreneurs with the ability to create new wealth in the K-economy; and
3. Drive the development of the local venture capital industry

— Empowers entrepreneurs to BUILD businesses

- Direct VC Investment
- Seed → pre-IPO

— Outsource Partners Programme
Startup new VC funds by sponsoring RM25 mil – RM30 mil each for outsourced VC manager

— Increase pool of VC professionals in the industry with necessary training ground

— Balance investment portfolio with return on investment structure

THE STATE OF THE INDUSTRY

- Market practice regionally – Current trends
- Issues and Challenges from a Commercial and Practical Perspective
- Practitioner's need for Certainty of Market

Start with A BIG, AMBITIOUS DREAM...

WARBURG PINCUS

5185 employees
Fund: US\$35 billion

SEQUOIA CAPITAL®

Fund: US\$10 bil
Apple, Oracle, Yahoo!, Cisco Systems,
Google, Agile, YouTube

The **Blackstone** Group®

800+ employees
Fund: US\$80 billion

TPG

480 employees
Fund: US\$50 billion

KKR

600 employees
Fund: US\$55 billion

Bain Capital

340 employees
Fund: US\$60 billion

THE CARLYLE GROUP

480 employees
Fund: US\$90 billion

INVESTCORP

369 employees
Fund: US\$17 billion



FORTRESS

900+ employees
Fund: US\$30 billion

**KP
CB**

Raised its 13th early stage VC Fund for
US\$700 mil & US\$500
Al-Gore as partner
Amazon.com, Google, and Intuit

mavcap

40 employees
Fund: US\$270 million

INTIMIDATED?

How do they build these formidable, successful, gargantuan investment firms?

STOP DREAMING.. DO IT FAST!

How do we build a formidable, successful, gargantuan Islamic investment firm?

CONVENTIONAL GOING ISLAMIC IS ALREADY

HAPPENING

SEQUOIA CAPITAL

WARBURG PINCUS

TPG

THE CARLYLE GROUP

KP
CB

FORTRESS

Bain Capital

INVESTCORP

The Blackstone Group®

KKR

Islamic finance



Islamic Finance Solutions Partner

ibfim

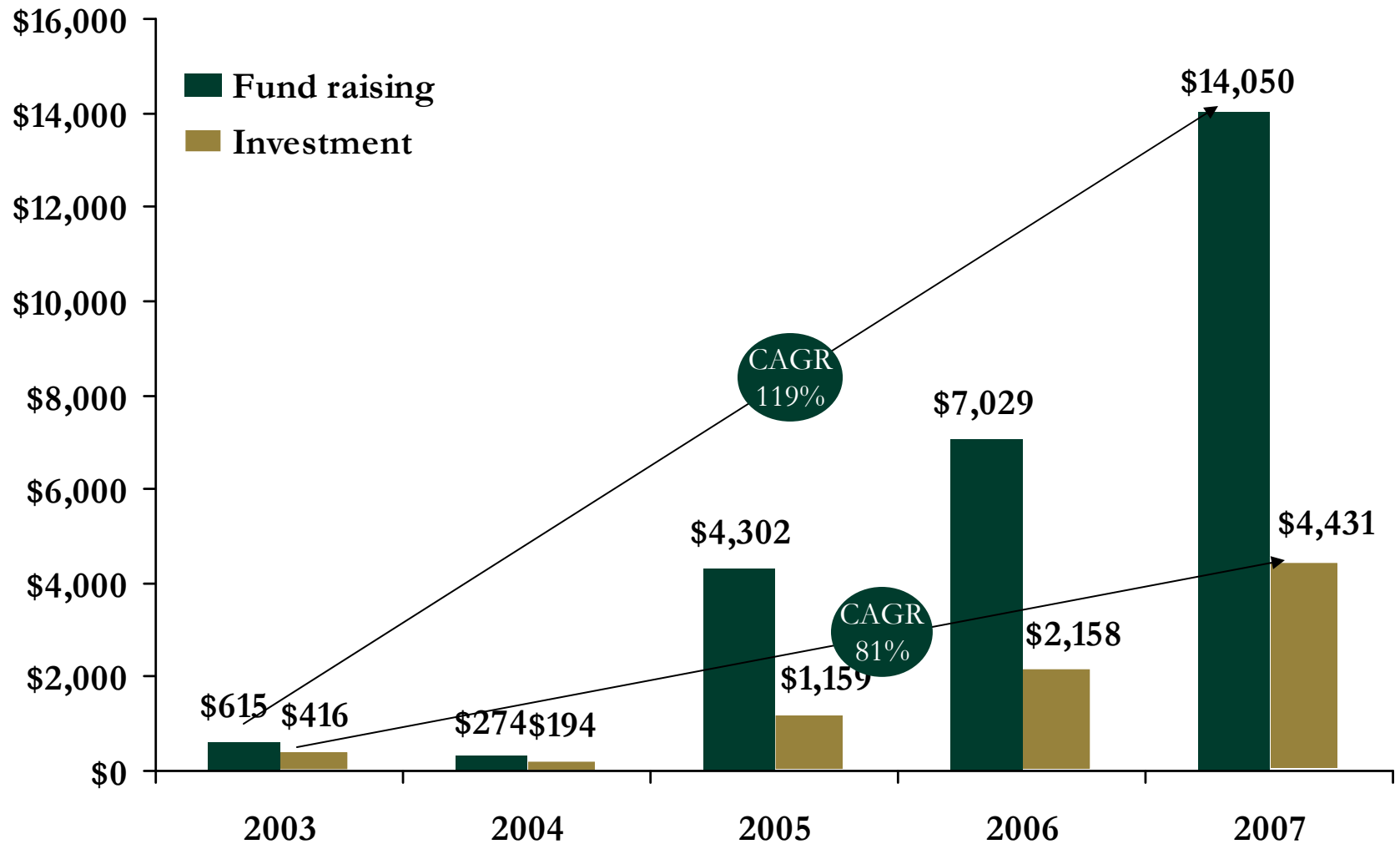
mavcap

بيت التمويل الكويتي
KUWAIT FINANCE HOUSE



GulfCapital

FUND RAISED FAR SURPASSES INVESTMENT



BRIEF OUTLOOK OF THE ISLAMIC FINANCIAL SERVICES INDUSTRY

- Asset size reached to USD 700 – 1000 billion at end of 2008 and expected to grow to USD 1.6 trillion by the end of 2012
- The number of islamic financial institutions worldwide has increased to more than 600, in over 75 muslim and non-muslim countries
- The average growth rate of the Islamic financial industry is 15% on average during the last 5 year period
- The listing of Islamic financial instruments in the stock exchanges is increasing (i.e. 20 – 25% of outstanding sukuk)

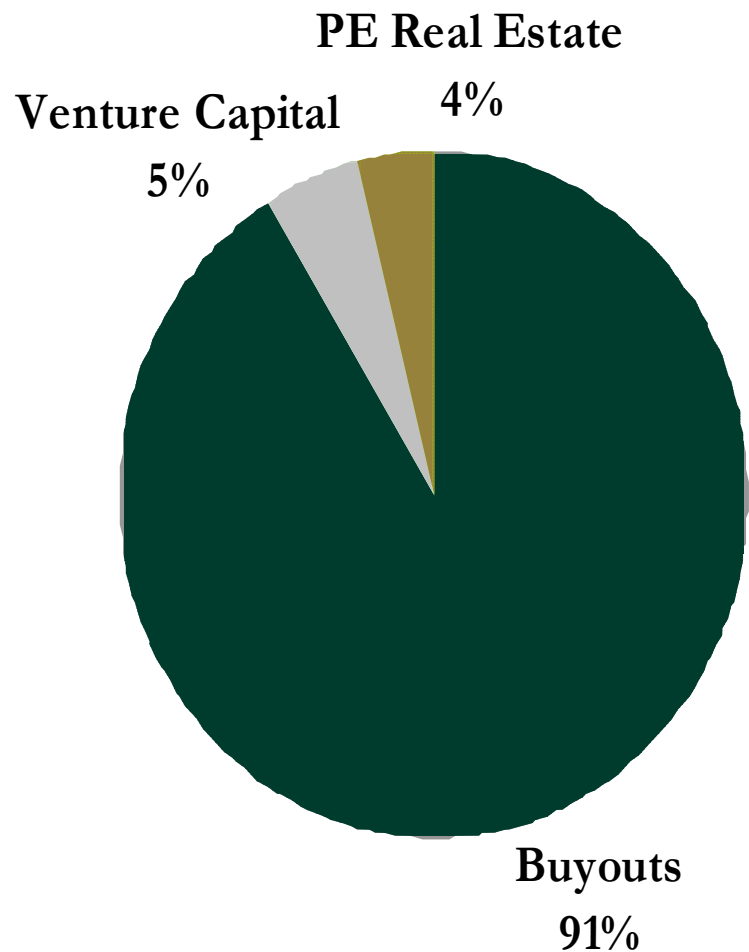
I GOOGLE “ISLAMIC PRIVATE EQUITY”..

American Muslim population has grown, so have the number of consumers and market-makers within it who are slowly, but surely, addressing their own demands for a variety of financial products. Interestingly, “foreign” and “American” Islamic finance are coming together in the form of early-stage venture and private equity capital transactions to develop Shariah-compliant assets in the US that can in turn be sold to Islamic investors -

Umar F Moghul, Murtha Cullina July 2007

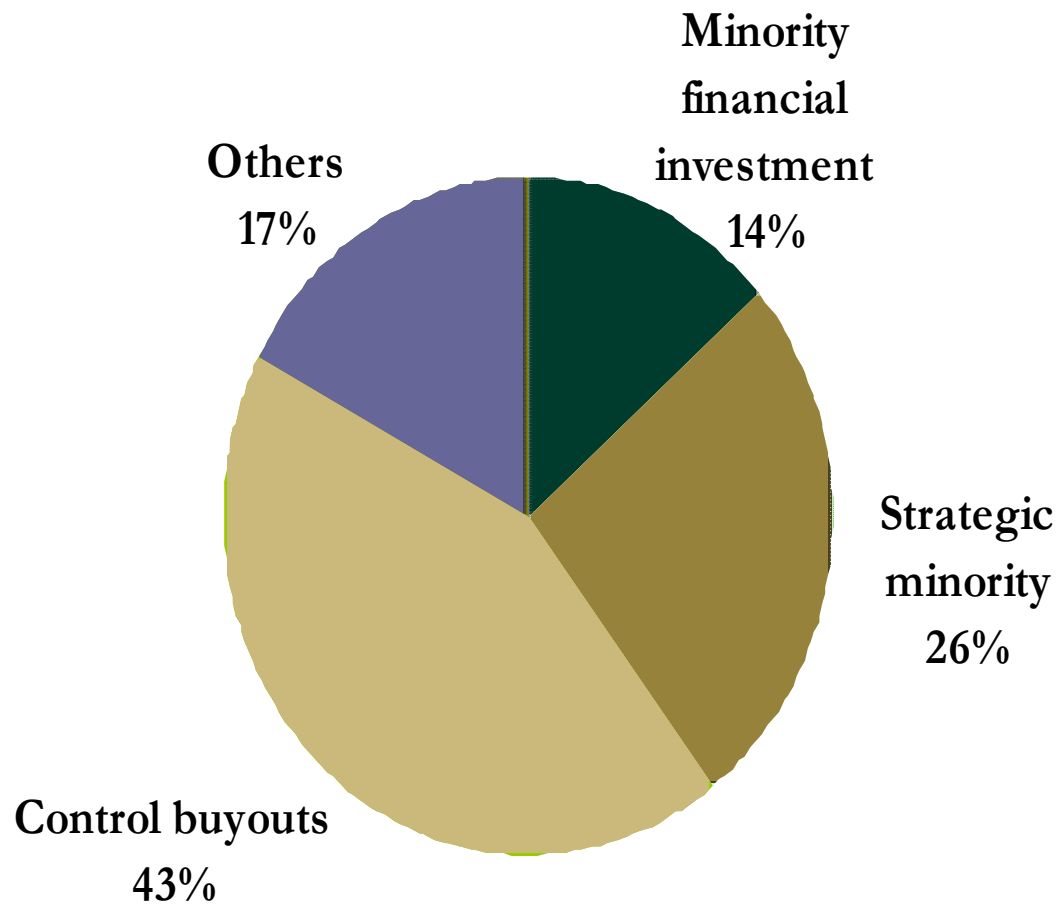


TYPE OF PRIVATE EQUITY FUNDS IN THE



- Most Of the PE Activity Is Focusing On Buy-Outs
- Infrastructure funds (part of buyouts) are quickly increasing in popularity
- Venture capital funds are not attracting investors. Investment in VC out of PE is very tiny.

PRIVATE EQUITY INVESTMENTS BY TYPE



- Control buyouts have accounted for the majority
- Relatively larger deals done using Islamic instruments

CURRENT TRENDS IN ASIAN ISLAMIC VC

- Investment Funds in the form of Private Equity are flowing from the Gulf into Asia
- Financial Institutions (ie GBCORP & Ithmaar Bank) have expressed interest in M&A and partnership opportunities in Asia
- Strong backing from government allows for growth in VC industry
- Strong interest indicated in sectors such as healthcare, education, real estate and manufacturing

DEVELOPMENTS IN ISLAMIC FINANCE IN ASIA PACIFIC

- **Thailand** – Islamic Bank of Thailand provides for clients' retail banking needs. It's Ministry of Finance has stepped up efforts to build the Islamic financial system in the country.
- **Sri Lanka** - In 2005, a legislative breakthrough was finally effected with the amendment of the Banking Act 1988 to legalize the operations of Shariah compliant banks.
- **Hong Kong** - Hong Kong is set to commit itself with Islamic finance by actively engaging prominent Islamic finance stakeholders via a series of mutual cooperation and human capital as well as product development
- **Malaysia** – Strong government support for Islamic Finance through its Annual Budget provision. Malaysia aims to enhance its position as a hub for Islamic capital market in year 2009.
 - MAVCAP practices a **Wakalah** relationship case with Musyaraka Tech Venture. The fund and management company is governed by **Mudarabah** principle and the relationship between the fund and its investees applies the **Musharakah** principle.



ISSUES AND CHALLENGES

ISSUES AND CHALLENGES

- Shariah-compliant VC not only has to determine whether the purpose of the business is moral, but also has to ensure the actions of management are moral.
- High screening and research cost because it involves close scrutiny of the firm and practices.
- Liquidity of investment at the time of exit :
Due to the fact that many firms are still privately held, venture capitalist may find it hard to find buyer for the equity stake.
- M&A between Shariah compliant firm and Non-Sharia compliant firm:
Merger may be permissible only if there is a reasonable expectation that the merged entity will be Sharia compliant.
- Lack of uniform accounting standards and interpretations as to whether the firm meets Shariah requirements

PRACTITIONERS NEED FOR CERTAINTY OF MARKET

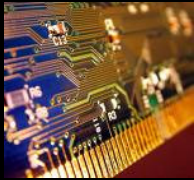
- There is an absence of uniformity in the way that Shariah principles are applied in different regions and over time.
- The Shariah adviser or the Shariah Supervisory Board (SSB) will assume responsibility for the Shariah compliancy of the target companies and management team.
- However, the management team, which will be the link between the investors and the target company, should not fully depend on the Shariah advisor but provide and raise awareness among its members and keep close contact with the target company.
- In addition, sufficient business/financial compliancy, standardized Shariah compliancy checks should be incorporated into basic systems to ensure the market certainty.

CONCLUSION

Speed up the development of Islamic
Private Equity & Venture Capital firms

- We need more firms, bigger funds
- We need brands
- We need homerun deals!

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www.mavcap.co
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