

Wealth Management for Islamic Investors: Product Development for an Increasingly Sophisticated Client

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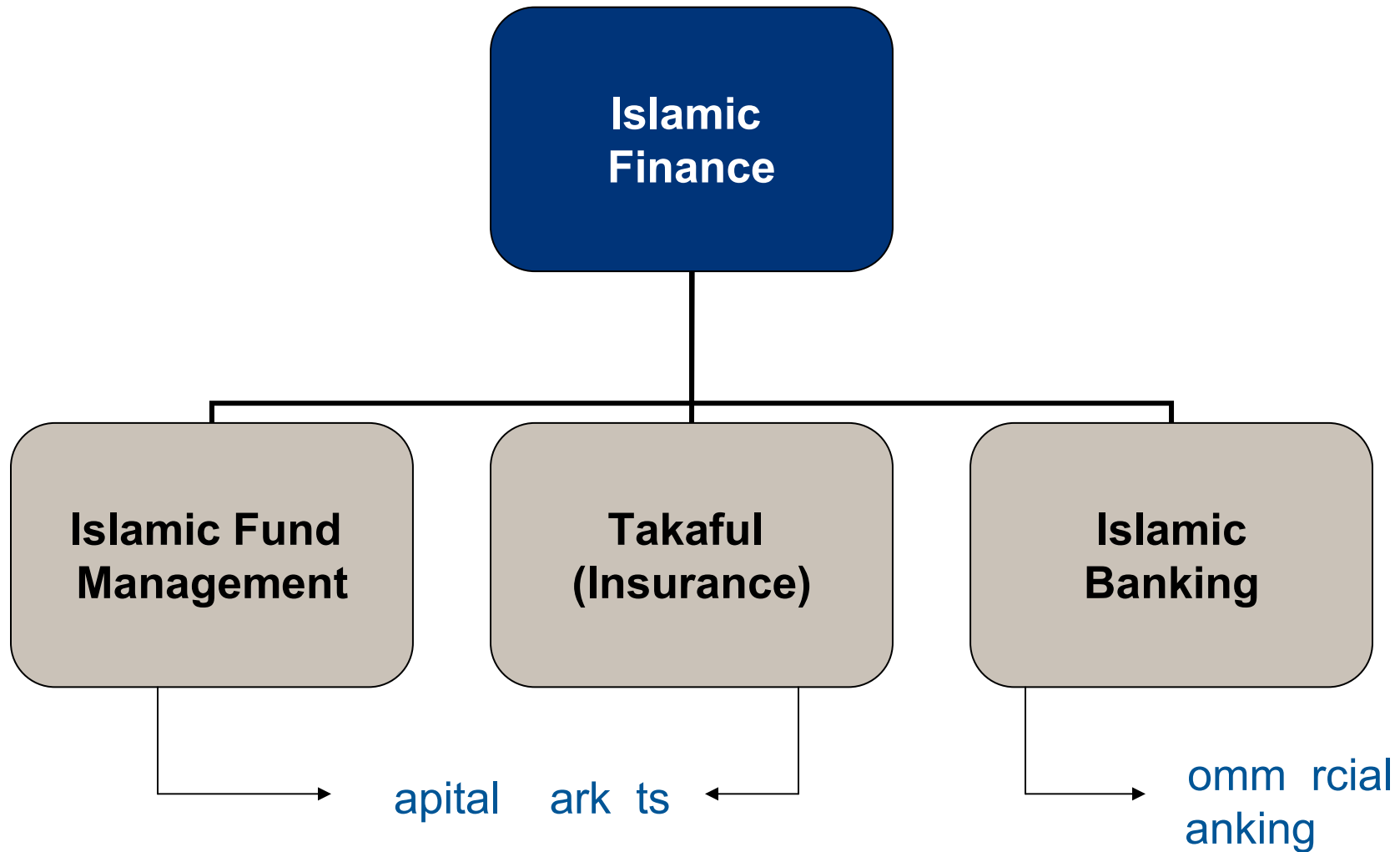
irector – Islamic Market Index

February

Overview

- . Structure of Islamic Finance
 - . Current snapshot of Islamic Finance
 - . Products Offered
 - . Issues with Product development and delivery
 - . Product development
 - . Delivery distribution
 - . Reaching critical mass:
 - How the industry will Ride the Next Growth Wave
- F. What's driving the market today

A. Structures of Islamic Finance



B. Current Snapshot of Islamic Finance

In the middle of the 1970s growing wealth and increasing influence in the global economy inspired Muslims to develop a new financial system that complied with Islamic principles.

Today there are approximately **600** Islamic financial institutions operating around the world including banks mutual fund providers and issuers of Sharia-compliant Islamic insurance.

Islamic financial institutions control at least **\$650** billion in world wide assets
 estimated.

There are only **\$20** billion in Islamic equity funds comprising over 100 funds and only 7 Islamic FSX exchange traded funds.

There are an additional **300+** Islamic funds from various other asset classes including short term trading instruments sukuk real estate and private equity.

C. Products Offered

Banking products:

savings and current accounts (including *wadi'ahs*)
 murabahah and investment
 accounts
 time deposits

Funds:

equity funds
 real estate funds
 commodity funds
 private equity
 hedge funds
 sukuk funds
 exchange traded funds (ETFs)

Private banking and wealth management services

Structured products (index-linked and others)

Takaful (Islamic insurance)

Stock-trading and brokering services

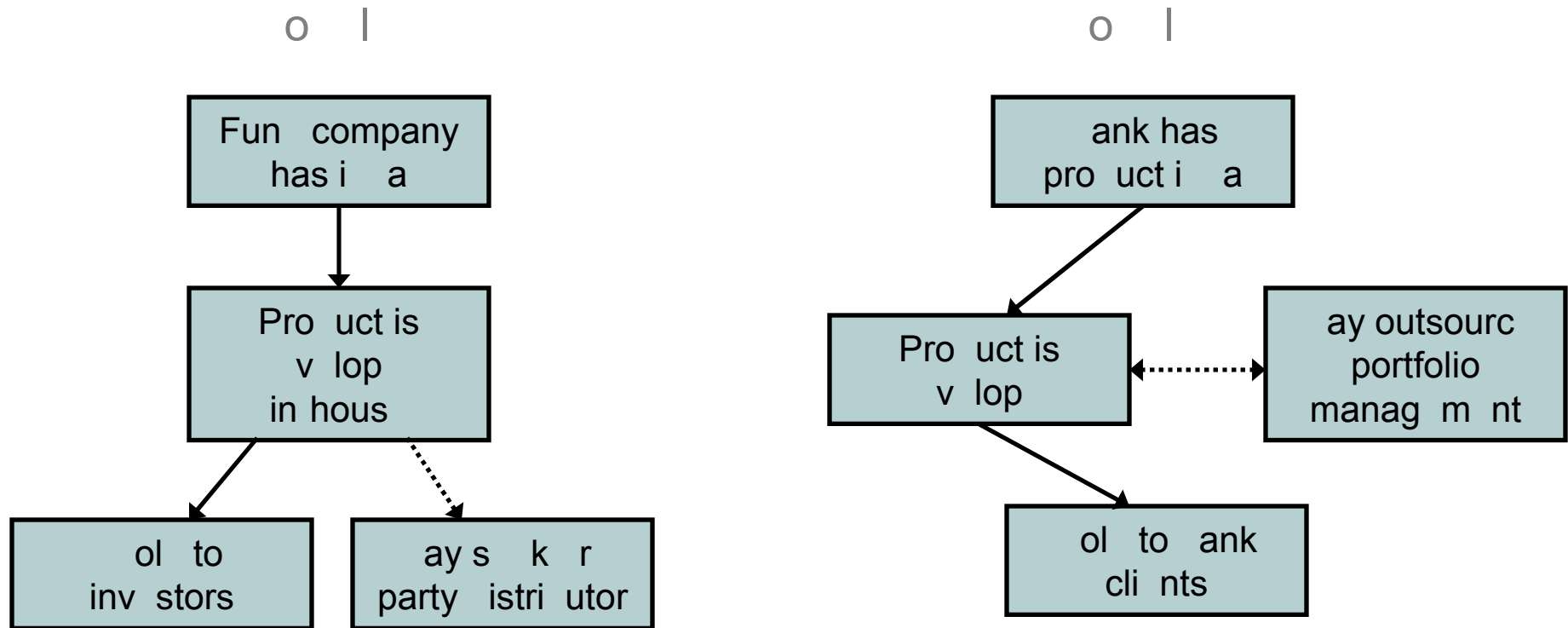
Derivatives (such as *arboun*, *tawarruk*, *dual-wa'ad*)

What's missing

Why are assets so small compared to the overall assets in the Islamic
 financial industry

D. Issues with Development and Delivery

1. Product Development



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D. Issues with Development and Delivery

1. Product Development

Problems with these Models

- Don't have their own clients as

Product driven

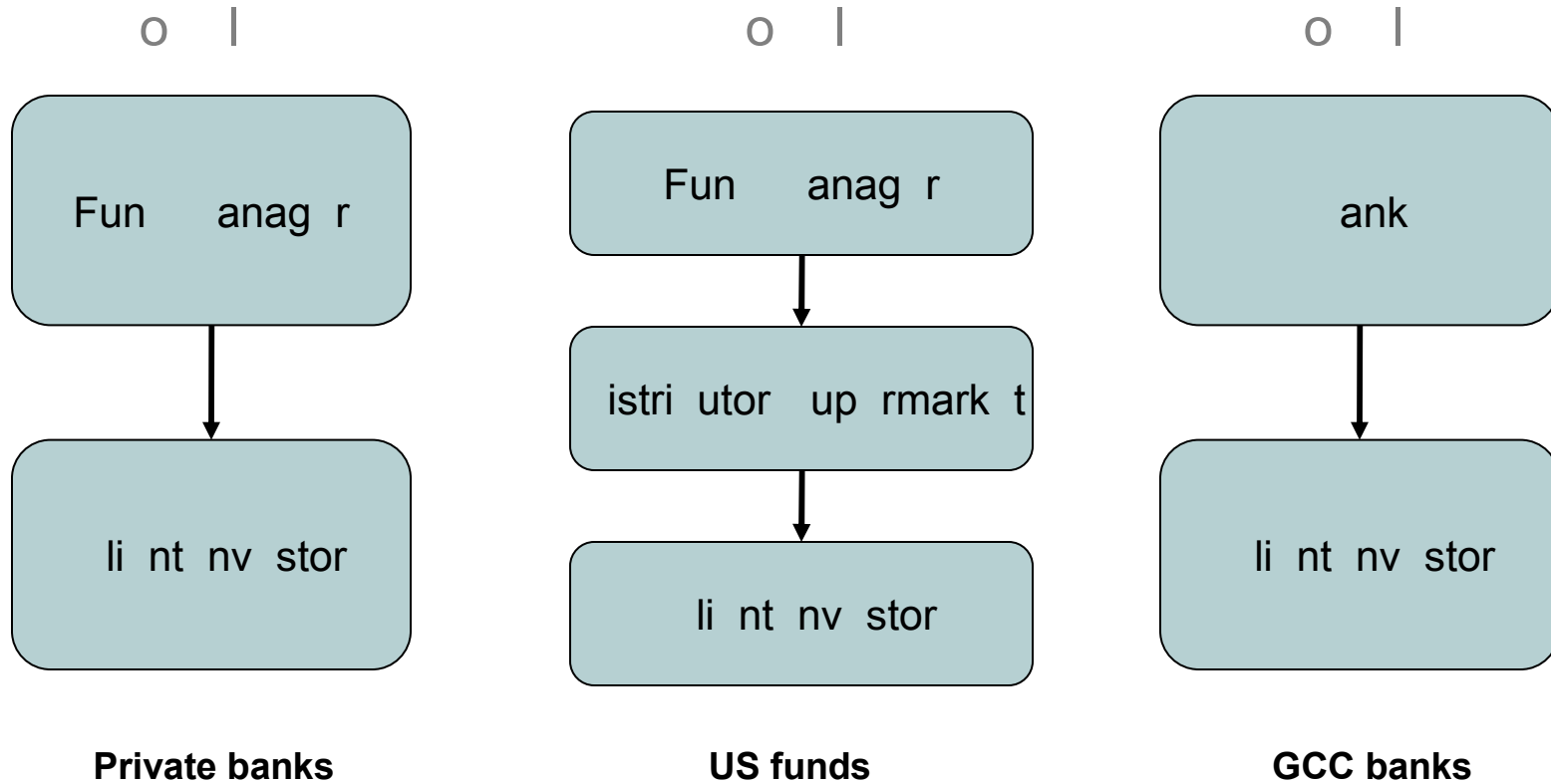
Sign to maximize fees

Needs of clients are not taken into consideration

❑ .h.g. fees private equity fees real estate fees

D. Issues with Development and Delivery

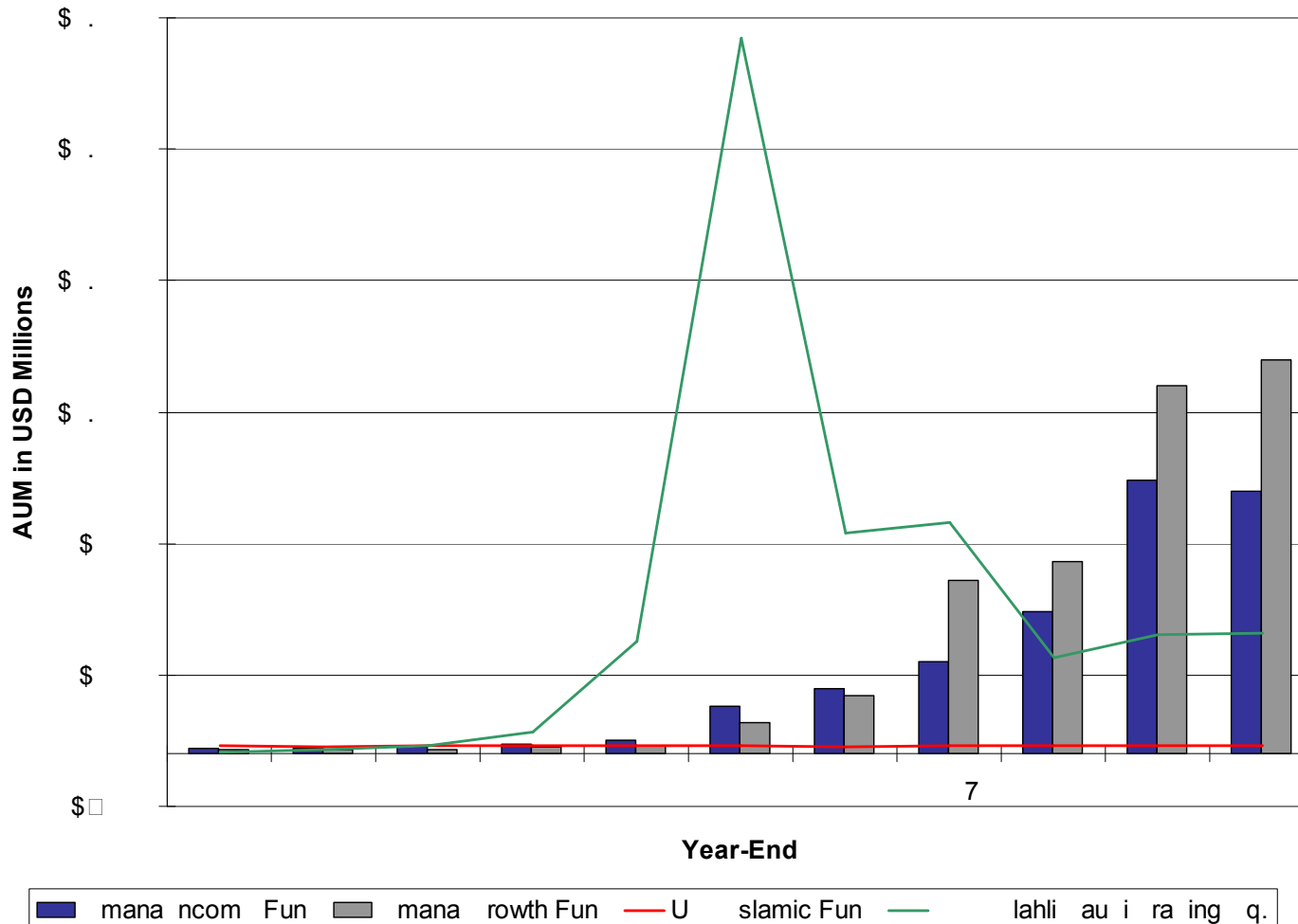
2. Delivery Channels



D. Issues with Development and Delivery

2. Delivery Channels

Growth in Assets Under Management (AUM) for Select Funds



D. Issues with Development and Delivery

What Works:

Offering new products to an existing client base

Developing products as a result of client and market demand

Offering a suite of complementary products that enhance client objectives

Third party distribution channels

Low fees

What Doesn't Work:

Launching new products with no client base

Developing products as a result of internal demand

Pushing products that aren't the firm's high strengths


Inefficient sales channels

High fees

E. Reaching Critical Mass

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F. What's Driving the Islamic Market Today?

From the local and regional investments only

Exchange traded funds (ETFs)

Structured products as an index

Sharia-compliant sukuk funds

From growing interest in commodity funds

Growing interest for Islamic investments in developed markets

Back to basics investing styles nothing complex or difficult to explain; high funds and derivative type products haven't worked in Islamic finance

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