

DIAMOND PARTNERS



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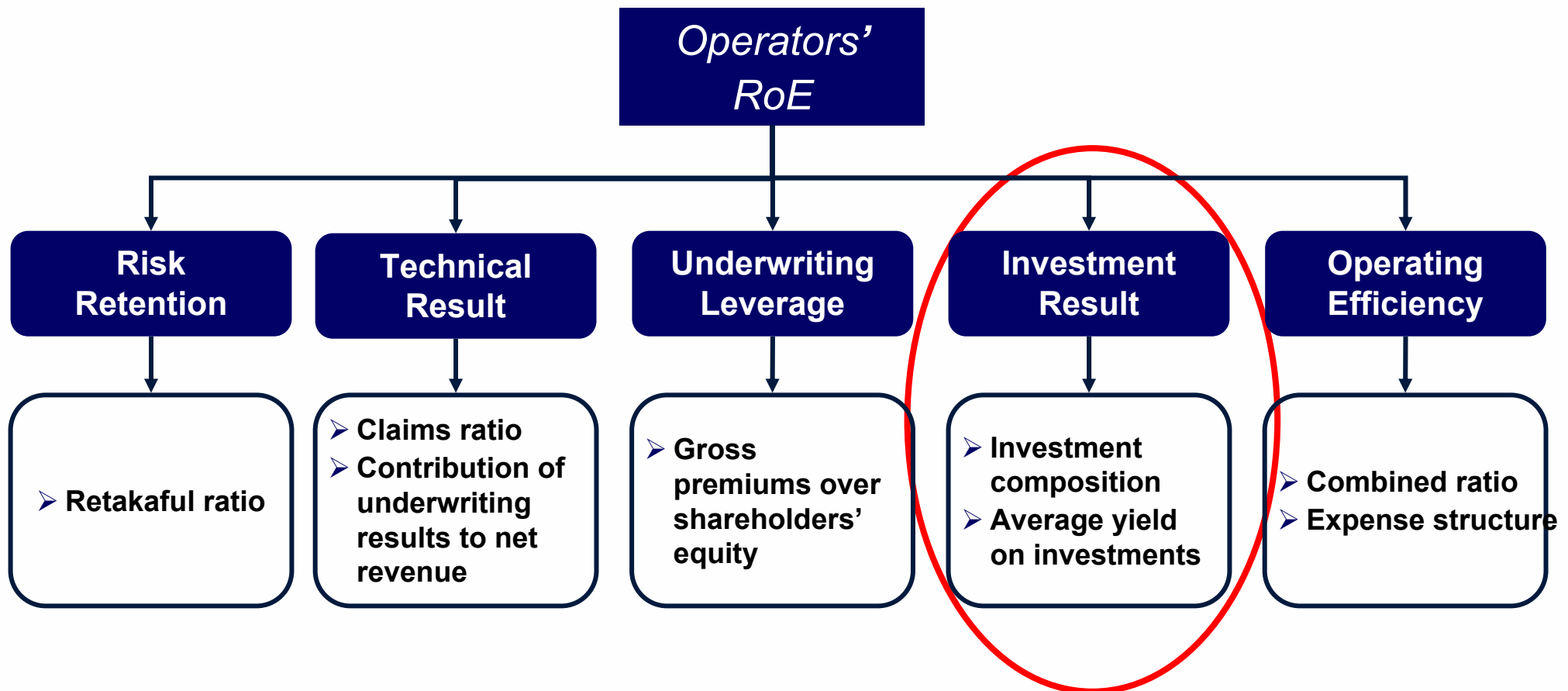
The Value Add of a Dedicated Asset Manager for Takaful Contribution Pools

The International Takaful Summit 2010
July 2010

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Chief Executive
CIMB-Principal Islamic Asset Management

Breakdown of Financial Performance

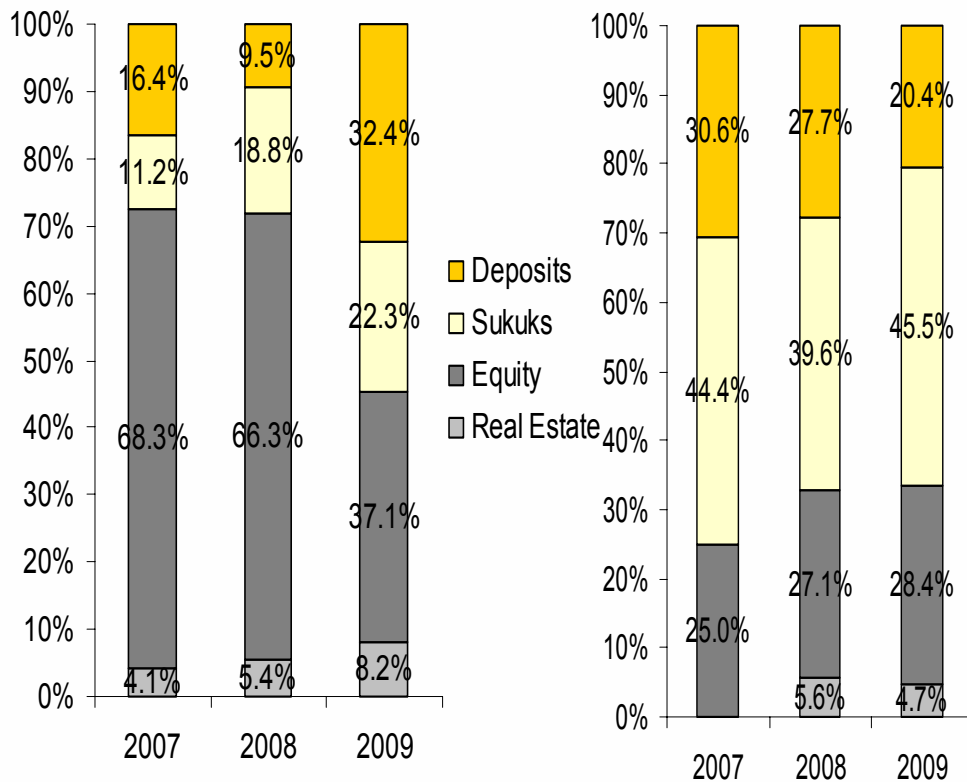
Takaful operators generate shareholders returns through a number of key drivers:



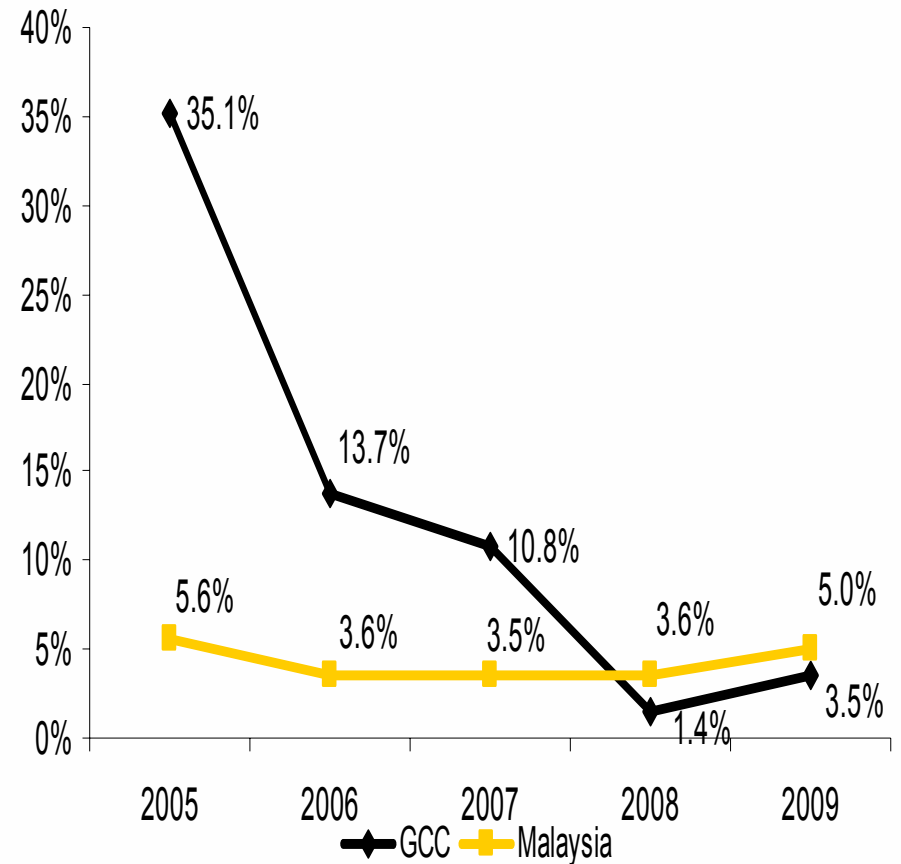
Investment Composition & Result:

GCC Operators have a higher risk profile

Average Investment Portfolio Composition
for a Sample of Takaful Operators in GCC and Malaysia



Average Yield on Investments
for a Sample of Takaful Operators in GCC and Malaysia



Yields realized by GCC operators have been comparably high BUT volatile, while Malaysian operators have posted stable returns

The Way Forward

Key Strategic Issues

Ensuring Investment Discipline

- *Dearth of Shariah-compliant capital market instruments exerting pressure on returns*
- *High direct exposure to equity markets to maximize returns*
- *Ad-hoc approach to portfolio management*

Recommendations

Seek Sustainable Investment Management

- *Consider linking up with asset managers or large international insurers to develop new products*
- *Manage portfolio via specialist intermediaries*
- *Actively lobby for deepening local Islamic capital markets*

Solution

Outsourcing

- *Dedicated Asset Managers*
- *Diversification*
- *Pooling of Takaful Assets*

Value Add of a Dedicated Asset Manager



Example of Economies of Scale

US Treasuries AUM = USD100m

Duration	Yield	Breakdown (USD'000)		Returns (USD'000)	Total ('000)
3 Month	0.16%	\$ 20,000	20%	\$ 32	\$ 20,032
6 Months	0.21%	\$ 15,000	15%	\$ 31	\$ 15,031
12 Months	0.30%	\$ 15,000	15%	\$ 45	\$ 15,045
2 Years	0.62%	\$ 15,000	15%	\$ 93	\$ 15,093
3 Years	1.01%	\$ 10,000	10%	\$ 101	\$ 10,101
5 Years	1.82%	\$ 10,000	10%	\$ 182	\$ 10,182
7 Years	2.46%	\$ 5,000	5%	\$ 123	\$ 5,123
10 Years	2.98%	\$ 5,000	5%	\$ 149	\$ 5,149
30 Years	3.94%	\$ 5,000	5%	\$ 197	\$ 5,197
Total / Avg		\$100,000	100%	\$ 953.5	\$100,953

Amongst other Benefits:

- 1. Addresses liquidity concerns**
- 2. Able to diversify across various duration**
- 3. Takes advantage of higher yields on longer dated instruments**
- 4. Higher returns as a portfolio**

Source of Yield: www.bloomberg.com

0.95%

Asset Allocation Breakdown	
1 Yr & Below (T Bills)	50%
2 Yrs - 10Yrs (T Notes)	45%
> 10 Yrs (T Bonds)	5%

Comparison: Annualized Price Return

GLOBAL INDICES	3-YEARS	5-YEARS
Dow Jones Islamic Market World Index	-8.53%	1.28%
Dow Jones Global Index	-12.17%	-0.62%

SPECIALTY INDICES	3-YEARS	5-YEARS
Dow Jones Islamic Market Sustainability Index	-9.51%	-.012%
Dow Jones Sustainability World Index	-14.31%	-2.07%

WHY ISLAMIC WORKS: Mitigating Misconceptions

Misconception

The Truth is...

Products only relevant to Muslims

Available to both Muslims and non-Muslims.

Products are too complicated

The only difference is the Islamic screening process is for Equity and structures that share risk and profit if for sukuk

Restricted Universe

- Dow Jones Islamic World Index-2407 stocks
- MSCI World Islamic Index- 1,128 stocks

Performance Drag

Not Inferior to Conventional Performance:
Comparable Return, Volatility, Risk-Return Profile

Other misconceptions on Islamic investments..

Hard to understand

Based on 5 financial principles, to promote good business practices.

1. No interest
2. No uncertainty & speculations
3. No “haram” activities (vice, alcohol, conventional finance and pork)
4. Sharing of Risk
5. Backed by actual assets

No credible track record

DJ Islamic Indexes goes back 10 years

Limited managers & expertise

Growing numbers, including International Houses

No global standardization of *Shari'ah* interpretation

Moving positively towards harmonization

Thank You

CIMB-Principal Islamic Asset Management
Full spectrum of Islamic investment solutions
customized to best meet global investors' needs and objectives.



Best Asian Equity 1-Year: CIMB Islamic Asia Pacific Equity
Best Malaysia 1-Year: CIMB Islamic Equity Aggressive Fund
Best Malaysia 5-Year: CIMB Islamic Equity Fund



Equity Malaysia – Islamic, 3-Years: CIMB Islamic DALI Equity Growth Fund
Equity Malaysia – Islamic, 5-Years: CIMB Islamic DALI Equity Fund



Best Islamic Asset Management Company – CIMB-Principal Islamic Asset Management



Best Islamic Fund Manager – CIMB-Principal Islamic Asset Management



Islamic Balanced Fund for the Morningstar Fund Award (Malaysia) 2009: CIMB Islamic Balanced Fund



Islamic Balanced Fund for the Morningstar Fund Award (Malaysia) 2009: CIMB Islamic Balanced Fund

DISCLAIMER

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