

Morning Meeting Notes

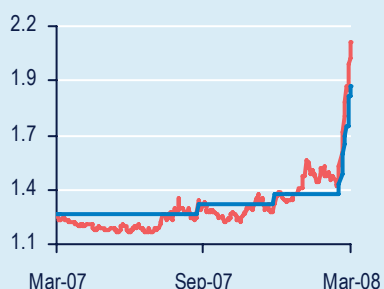
Share Price **\$1.90**

Shariah Capital

Not Rated

Market cap \$105m
 12m high / low \$1.90/\$1.25
 Average daily volume (000s) 12
 Sector General Financial
 Index
 RIC / Bloomberg SCAP.L / SCAP.LN
 Implications for forecasts ▶

Share price performance



	1m	3m	12m
Price	40.7	40.7	52.0
Rel. All Share	46.8	58.4	64.2
Rel. Sector (not shown)			

Source: JCF Group

Joint venture with the Dubai Multi Commodities Centre

Shariah Capital has announced an innovative asset management joint venture with the Dubai Multi Commodities Centre, creating DMCC Shariah Asset Management (DSAM). DSAM will offer a range of Shariah compliant commodity-linked investment products to investors in the UAE and other markets. Shariah Capital is a 49% shareholder in the joint venture. The DMCC has also announced its intention to acquire a 4.99% stake in Shariah Capital.

- **About Shariah Capital** – Shariah Capital is a US-based, AIM-listed company that creates and customises Shariah compliant financial products and platforms, and provides selective Shariah consulting and advisory services primarily to global financial institutions and investment firms with product initiatives directed to Islamic investors.
- **Innovative asset management joint venture with DMCC** – Shariah Capital has announced an innovative asset management joint venture with the Dubai Multi Commodities Centre (DMCC). DMCC Shariah Asset Management Company (DSAM) will offer a range of Shariah compliant commodity-investment products for distribution in the UAE and other markets. Shariah Capital will own 49% of DSAM, with the rest owned by DMCC Asset Management Company (DCAM), which is wholly owned by DMCC.
- **DMCC to acquire 4.99% stake in Shariah Capital** – As part of its commitment to the DSAM joint venture, DMCC has announced its intention to acquire a 4.99% stake in Shariah Capital. Post acquisition of its stake, DMCC's chief executive, Dr David Rutledge, is expected to be nominated to join Shariah Capital's Board of Directors.
- **Strong endorsement of Shariah Capital's credentials** – DMCC is backed by the Dubai government and is operated by Dubai World. It was established to promote Dubai as the region's pre-eminent commodity trading hub, and in pursuit of this goal has been successful in developing the infrastructure required to grow the value and volume of commodities traded in and through the region. We view the fact that DMCC has chosen Shariah Capital as its partner in DSAM as providing endorsement of Shariah Capital's skills in creating and customising Shariah compliant financial products.
- **DMCC to seed finance the joint venture** – Today's statement indicates that both DSAM and the products it develops will benefit from seed finance from DMCC, although no details on the level of such finance has been disclosed. Given that DSAM has the backing of a government-backed institution which is led by business notables H.E. Sultan Bin Sulayem (Chairman of Dubai World) and Ahmed Bin Sulayem (Executive Chairman of DMCC), the company would appear to be well placed to attract funds from across the region.
- **Detail on DSAM's revenue model yet to be announced** – No details relating to DSAM's revenue model have been announced; clearly much will depend on the exact nature of the investment products to be offered. Shariah Capital

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Investec acts as Broker/Advisor to Shariah Capital

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issued a statement in October last year indicating that it was exploring the possibility of launching investment products with DMCC and that it would “work with investment managers exclusive to DMCC, with a specific focus on DMCC strategies involving precious metals and related commodities” perhaps suggesting that initial product launches will be fund of funds.

- **Opportunity to become a leading Shariah-compliant asset manager** – The oil-rich states of the Middle East have enjoyed strong levels of economic growth which have buoyed the number and overall wealth of high net worth (HNW) individuals in the region (most forecasts suggest liquid financial HNW assets of over \$1 trillion). While the region’s wealthy have been well served on an offshore basis by large international banks/asset managers, the onshore asset management industry is still in development phase. On both an on and offshore basis, we believe there is a lack of credible Shariah compliant investment product/funds, creating substantial opportunities for an asset manager, such as DSAM, with the right credentials.
- **Attractive blend of skill-sets** – Shariah Capital’s management team have a strong pedigree in the asset management industry, with Eric Meyer and Joseph Gau, Chairman/CEO and MD respectively, having previously worked for leading names such as Oppenheimer & Co and Citibank. Its Shariah Board, with an established reputation for applying the most stringent conditions of Shariah compliance, is guided by Shaykh Yusuf Talal DeLorenzo, an internationally-recognised Shariah scholar. Shaykh Yusuf’s role at Shariah Capital is, according to the company, unique; he is a member of the company’s Shariah Supervisory Board, a full-time executive of the firm and a member of its board of directors. His title, Chief Shariah Officer, distinguishes Shaykh Yusuf and Shariah Capital from other firms that do not have an in-house, full-time Shariah scholar. The company’s attractive blend of skill-sets means that, in our opinion, it is in a strong position to win consultative mandates or establish joint ventures with other firms wishing to develop Shariah compliant product.
- **Summary** – Today’s announcement is another significant step in establishing Shariah Capital as a leading Shariah-compliance advisory group. While at present we have few details on the potential size and revenue potential of DSAM or the company’s previously announced deal with Barclays Capital to create a Shariah compliant investment platform, today’s announcement provides further endorsement of the company’s services. We do not currently have an investment recommendation or price target for the shares.

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Definition of research ratings

Expected 12m performance

UK stock ratings distribution

	Coverage universe		Investment banking clients	
	Count	% of total	Count	% of total
Buy	110	56%	33	30%
Hold	68	35%	10	15%
Sell	17	9%	0	0%

Source: Investec Securities

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