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By Devon Maylie

Of DOW JONES NEWSWIRES

LONDON (Dow Jones)--Dubai Multi Commodities Centre, an arm of the Dubai government, invested \$150 million in three commodity-related hedge funds Friday that will trade commodity equities in compliance with Islamic religious principles.

The three funds - Tocqueville Asset Management, Zweig-DiMenna International Managers and Lucas Capital Management - were each given \$50 million to make investments that comply with Shariah, or Islamic law.

They will invest in commodity-related stocks ranging from oil to gold and are the first funds to become part of Dubai Shariah Asset Management (DSAM), a joint venture between Shariah Capital and Dubai Commodity Asset Management, a wholly owned division of DMCC.

The feeder funds will be registered in Cayman and branded under the DSAM Kautha name.

As the first feeder funds, Tocqueville Asset Management will specialize in gold and precious metals stocks; Zweig-DiMenna International Managers will focus on a range of stocks connected to hard assets such as coal and steel; and Lucas Capital Management will focus on oil and natural gas stocks.

"We believe this will help our investment strategy," said Russell Lucas, a founding partner at Lucas Capital Management.

The DMCC - part of Dubai World, the government-controlled holding company - is working in partnership with Shariah Capital, a Connecticut-based firm. The funds will operate using a trading system Shariah Capital developed with Barclays Capital that will act as prime broker to clear and finance trades.

Each of the three hedge fund managers who received funds Friday will manage a separately managed account at Barclays Prime Brokerage in New York. The accounts will be part of the Al Safi platform to insure Shariah compliance.

"Islamic investment opens a trillion dollar opportunity," said Eric Meyer, chief executive of Shariah Capital, which is publicly traded on the Alternative Investment Market (AIM) of the London Stock Exchange.

Shariah Capital announced in June that the Dubai government was going to invest \$250 million in hedge funds to trade in commodity equities in a Shariah compliant manner. On Friday, the government gave the funds seed money to begin. The remaining \$100 million is forthcoming, Meyer said.

After Ramadan concludes, Meyer said the funds and Shariah Capital will more actively market the new products to other governments in the UAE, Saudi Arabia and Bahrain, for beginners.

"In the face of collapsing markets, we are taking a contrarian view," said Ian MacDonald, executive director of gold and precious metals at the DMCC. "We have worked a long time to make sure we got the right product to the market."

MacDonald said the aim of the Shariah compliant fund platform is to be a "multi-billion dollar business," adding the DMCC wants to become even more active in the commodity sector and that the government has other plans.

By the end of the year, the DMCC also plans to launch a Shariah compliant exchange-traded fund to allow investors to invest in physical gold.

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