

ISLAMIC FINANCE ON THE ALTERNATIVE INVESTMENT MARKET

In a sign of the times, **Eric Meyer's Shariah Capital/Meyer Fund Management** company and his funds have been mentioned recently as potential candidates for listing on the Alternative Investment Market (AIM) of the London Stock Exchange. Paul McNamara spoke with Eric about his thoughts on a public offering and the implications of his potential listing for the broader Islamic finance industry

We've been hearing a lot about your potential listing. What can you tell us?

We are actively exploring the advantages of a public listing specifically on the AIM market. We have received serious written interest to list both our management company, Shariah Capital/Meyer Fund Management, and individual investment companies for our core competencies. We are still evaluating our options, but listing seems to make sense for specific investment companies, their potential shareholders and our management company.

The thought of going public is all about meeting and servicing the tremendous growth potential of the Islamic market. When I started developing my Shari'ah compliant investment strategies five years ago, there were no Islamic hedge funds, no recognised Sukuk and few Shari'ah compliant private equity or venture capital investment vehicles. Now, the Gulf has exploded with Shari'ah compliant offerings of every shape and size. The west is rapidly embracing Shari'ah as a form of socially responsible investing and now is racing to offer its own solutions. I want to stay in the vanguard of this creativity and new product offerings. A public listing would give us the capital, the 'horsepower' and the investment profile rapidly to expand our profile as a leader in Islamic asset management.

So, a public listing makes sense for our hedge fund products; both those under our Shariah Capital brand and those private labeled, managed in the US or where we expect to team with partners in Europe and Asia; for ETFs (Exchange Traded Funds), where the breadth and depth of our real-time screening software is ideally-suited for deploying a number of strategies

It also makes sense for the introduction of several REITS (Real Estate Investment Trusts) that are only possible with our new screens and which have been beta tested in Europe, Singapore and the US and also for the liquidity of our principal-protected, market neutral product that, if traded as a listed investment company, could offer daily liquidity with Murabaha-like yields.

It is not lost on me that our first mover advantage in these products, and others, would be fortified significantly with a public



listing, given the valuation premiums Islamic asset management companies now enjoy. Our commitment of time, money and effort to build innovative solutions for Shari'ah is now addressing the growing demand for Islamic products not only from the Gulf, but from many areas throughout the world. A listing will give us the leverage to build more and better solutions for Islamic investors in the future.

Why have you chosen to list in London and not Dubai?

We haven't made any firm decisions yet. We very well could list in London and Dubai. Personally, I love Dubai and have been tremendously impressed with the creative vision behind the DIFC and DIFX. But, in the last six months or so, I've noticed a very strong surge of interest in Shari'ah from the investment communities in London and New York. The liquidity in the Gulf, the ambitions of western firms to pursue investors there with differentiated products, the strong ties between London and the

Middle East – all have driven demand for Shari’ah compliant investment products. It’s understandable that, as one of the early companies in this space, we would be approached for listing in London.

Again, I am comfortable with the listing process of the London Stock Exchange, having been directly part of a successful flotation there as a venture capitalist. I ‘know the drill’ in London. The London market also offers a well-understood investment realm for three of our important markets: the Gulf, Western Europe and Asia.

You said that listing would benefit your investors. How is that?

The ideas we’re considering are intriguing. An often-heard suggestion has been to list our management company and, at the same time, a number of investment companies, each with its own investment theme or focus on a particular asset class.

For example, we might list an investment company comprised of our Shari’ah compliant hedge funds, another involving a global real estate fund, another dedicated to private equity and so on. The idea is that an investor, based upon varying investment goals and liquidity/diversification requirements, could invest in one or more of these professionally managed, Shari’ah compliant entities. As I see the process, we would raise assets for each company and then list the company on AIM where shares would be available to these investors.

GCC equity and local real estate funds are launching with increasing frequency. You’re looking more at traditional markets, aren’t you?

Absolutely. Our expertise isn’t in GCC equities or local real estate. Our expertise is in the west. Our objective is to build Shari’ah compliant products that enable Islamic investors to invest in global markets on a level playing field with conventional investors. As a former hedge fund manager, I bring direct personal experience to the responsibility of selecting and monitoring managers for our funds of hedge funds. With our internationally renowned Shari’ah scholars, we bring together Shari’ah solutions and management expertise to deliver solidly professional investment products.

Your experience is in hedge funds and venture capital. How do you combine these skills with your western relationships to create competitive Shari’ah compliant offerings?

Well, our higher profile in North America and Europe certainly helps. We are being approached by many different types of asset managers to work together to create new Shari’ah investment opportunities. I want to bring the ‘best of the west’ and have them work with us in the creation of Shari’ah solutions.

One example of this is our involvement in the oil and gas industry. We recently entered into a relationship with Marc Bruner to develop a Shari’ah compliant oil and gas exploration company. Marc has been intimately involved in a number of successful oil and gas companies including; Ultra Petroleum, Pennaco Energy, and Gasco Energy. Marc is widely recognized in North America as a pioneer in the unconventional gas sector in the Rocky Mountain region.

We are considering raising capital for a listed Shari’ah compliant vehicle that will focus on oil and gas properties throughout the world with characteristics similar to those profitably drilled in the United States and Canada.

You’re not the first Shari’ah compliant investment company to talk about a potential listing on AIM.

No, Tejoori Limited already has announced its intentions for an AIM listing. Actually, there are several new investment companies being formed with an eye toward listing on the AIM. From what I read in the press and hear on the street regarding the interest in Tejoori’s offering (as well as the interest in other IPO offerings), the demand for an investment company offering new and unique Shari’ah compliant solutions is very strong.

All of these new investment companies seem to be fielding strong, experienced board members. Do you anticipate following a similar course?

Yes, I do, both from a Shari’ah advisory side as well as from a business side.

Historically I have worked with a formidable team of Shari’ah scholars, from Dr. Mohamed Ali Elgari in Saudi Arabia to Sheikh Nizam Yaquby in Bahrain to Sheikh Yusuf DeLorenzo in the U.S. to Dr. Daud Bakar in Malaysia. I have tried to enlist internationally-renowned scholars to work with me in the creation of our new Shari’ah compliant products.

I feel that I have developed wonderful personal relationships with these scholars. Their creativity and perseverance has endeared them to me forever. If we go forward with listing, I will be honored to welcome them to an advisory board. I can’t wait to tell them to ‘fasten your seat belts’ because I intend to keep them very busy on new projects!

On the business side, I intend to create an advisory board equally weighted with western and Gulf investment professionals. I am comfortable saying that those whom I have approached already have indicated a strong interest in becoming involved.

You’ve also mentioned an interest in expanding beyond asset management to Islamic merchant banking.

Yes. Based on the recent inquiries we have received from several publicly-traded western companies, I believe there is a real need for us to create an Islamic merchant banking division. This group will help these companies access the liquidity of the Gulf through Shari’ah compliant vehicles, such as Sukuk.

The traditional powerhouses of the west don’t seem to focus on developing and offering these kinds of services right now. The requirements to become proficient in the world of Shari’ah - time and capital - seem to be formidable barriers to entry. At Shariah Capital, we have ‘paid the tuition’. We have built the platform. A public listing can provide the horsepower for us really to focus on solutions that enable Fortune 500 companies to work together with Shari’ah compliant investors.

So, if you choose to pursue a public listing, it looks like we will be hearing more and more from Shariah Capital?

That is my intention. I want to be the asset manager that brings ‘best of breed’ investment solutions. I want to be the creator of new Shari’ah products that level the playing field with the west. I want to team with partners to bring new products to the market. And, finally, I want to offer merchant banking solutions to Fortune 500-type companies that want to work within Shari’ah and increase their presence in the Gulf. Tapping the public markets may be just the right way to realise these opportunities.