

Morning Meeting Notes

\$2.10

Shariah Capital

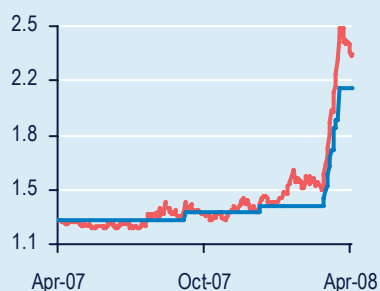
Not Rated

Potential upside N/A

Target price N/A

Market cap \$123.5m
12m high / low \$2.10/\$1.25
Average daily volume (000s) 12
Sector Financial Services
Index
RIC / Bloomberg SCAP.L / SCAP.LN
Implications for forecasts ▶

Share price performance



	1m	3m	12m
Price	44.8	55.6	68.0
Rel. All Share	43.2	69.8	84.7
Rel. Sector (not shown)			

Source: JCF Group

Launch of a Shariah compliant gold ETF

The Dubai Multi Commodities Centre (DMCC), in partnership with the World Gold Council (WGC), has announced its intention to launch a Shariah compliant gold ETF that will be listed on the Dubai International Financial Exchange (DIFX). Shariah Capital will act as Shariah advisor to the new venture, providing further endorsement of the company's services.

- **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.
- **Launch of a gold ETF on the DIFX** – The Dubai Multi Commodity Centre and the World Gold Council have announced their intention to launch a gold ETF, to be known as Dubai Gold Shares (DGS), on the Dubai International Financial Exchange subject to approval from the Dubai Financial Services Authority. Dubai Gold Shares (DGS), to be launched under the trading symbol “GOLD”, will be managed by Dubai Commodities Asset Management (DCAM), which is 100% owned by DMCC, with Shariah Capital retained to ensure Shariah compliance.
- **Attractive product** – DGS will offer investors low cost access to owning and trading in gold bullion, with each security backed by a precise amount of physical gold held securely by the DMCC and sub-custodian, HSBC. With help from Shariah Capital, DGS will be structured as a Shariah compliant investment, allowing Islamic investors access to a popular asset class in a cost effective manner. Indeed, the DMCC has indicated that DGS charges will be inline with other members of the Exchange Traded Gold (ETG) family of products which have listings on stock exchanges in London, New York, Johannesburg and Sydney.
- **Significant potential** – Dubai is already a major hub for the trade of physical gold, importing a total of 559 tonnes in 2007, with gold seen as an attractive investment asset class. It therefore seems likely, in our view, that DGS will prove similarly as successful as some of the other ETG family of products, which collectively account for over £24bn or 806 tonnes of gold, equivalent to c.86% of the market for this category of security. Given the DMCC (and therefore Dubai Commodities Asset Management) is backed by the Dubai government, we suspect that sufficient seeding will be provided to ensure that DGS is of a scale where reasonable liquidity might be established.
- **No details on revenues accruing to Shariah Capital** – No details have been released on the likely fees Shariah Capital will earn from advising on DGS; we suspect that the company's fees will be dependent on the success of the fund, as measured by the size of assets managed. We note the opportunity for the DMCC to use the DGS ETF as a template for other Shariah compliant ETF's,

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Investec acts as Broker and Advisor to Shariah Capital

Readers in all geographies please refer to disclosures on page 3.

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Morning Meeting Notes

seeded by the DMCC and supported by physical commodities warehoused in Dubai. Shariah Capital's revenues from multiple ETF's seeded and endorsed by the Dubai government could become a significant and recurring revenue stream, in our opinion.

- **Summary** – Today's announcement is another significant step in establishing Shariah Capital as a leading Shariah-compliance advisory group. Coupled with the recent announcements regarding the establishment of DMCC Shariah Asset Management Company (DSAM), a joint venture asset management company in which it has a 49% shareholding with the balance owned by the DMCC, and its arrangement with Barclays Capital to create a Shariah compliant investment platform, today's announcement provides further endorsement of the company's services.

Morning Meeting Notes

Definition of research ratings

Expected 12m performance

UK stock ratings distribution

	Coverage universe		Investment banking clients	
	Count	% of total	Count	% of total
Buy	108	57%	30	28%
Hold	63	33%	7	11%
Sell	18	10%	0	0%

Source: Investec Securities

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Morning Meeting Notes

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