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Interview with Eric Meyer, President, Chief Executive Officer and Executive Chairman, Shariah Capital Inc, USA

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Shariah Capital has come a long way since its inception as a hedge fund manager and venture capitalist six years ago. Its move to list on the Alternative Investment Market (AIM) of the London Stock Exchange is a direct response to the present market, which assigns valuation premiums to Islamic asset management companies. Another factor is the vital capital, the investment platform and the image which such a listing offers. Eric Meyer – president, chief executive officer and executive chairman of Shariah Capital – talks exclusively to Islamic Finance news on how he plans to lead Shariah Capital to the forefront of Islamic finance and product innovation.

Shariah Capital USA recently completed an equity-raising exercise through a private placement en route to a listing on the AIM of the London Stock Exchange. Eric said he was truly excited about this upcoming listing, as it opens up an avenue for the company to tap new investors all over the world. Shariah Capital's advisors in

London – Investec – have proceeded with the necessary approvals and, upon admission, the Shariah Capital shares will be traded on AIM under the symbol SCAP.L.

Just five years ago, the Islamic finance market was almost non-existent in the USA, with an absence of Islamic hedge funds, Sukuk a barely recognized instrument and minimal Shariah compliant private equity or venture capital investment instruments. The recent explosive growth of an assortment of Islamic financial products in the Gulf region has not only encouraged the western world to quickly adopt Islamic products, but also to develop their own Islamic financial solutions.

The present market environment, which assigns valuation premiums to Islamic asset management companies, has pushed Shariah Capital to go public. In order to remain at the forefront of Islamic finance and product innovation, it requires a capital injection, an investment platform and the enhanced image that listing brings.

Shariah Capital will also be better leveraged to develop innovative solutions not only for the Gulf region, but also worldwide, hence setting the stage to promote itself for better reach internationally. On a lighter note, Eric tells Islamic Finance news that being the chairman of a London Stock Exchange company bodes well with his partners, whether they are in Dubai or New York.

The company was initially established as Meyer Capital Partners in 2000, following successful ventures as a hedge fund manager and venture capitalist. These offered invaluable experiences for Eric, as he went on to develop the company's Shariah compliant tools and solutions from a money manager's perspective. Thereafter, he developed the first Shariah compliant fund of hedge funds, now the Shariah compliant innovation usually identified with Shariah Capital.

Shariah Capital is essentially a financial engineering platform that conceives, builds and customizes Shariah compliant financial products. The key areas it covers are hedge funds, real estate, private equity and Sukuk. Apart from these, the company acts as advisor to companies and projects on matters involving compliance with Shariah principles. The products are then delivered and serviced either under Shariah Capital's own brand, or under co-branding arrangements with joint venture partners, or on a private label basis. Shariah Capital typically services financial institutions and money management firms in the Middle East and Asia with pools of committed assets from clients who require Shariah compliant equivalents to conventional investment products.

Eric revealed that the company is in no hurry to open up offices around the world, even with potential additional funds at their disposal. However, he said he will consider financial centers like London, Bahrain and Dubai over time. The driving force for expanding the overseas operations lies in partnerships and joint ventures that are established particularly in Asia and the Far East. These are important markets where Shariah Capital sees the need to develop Islamic products with the joint expertise of local partners. "We actively would pursue opportunities in these regions with competent, committed partners," Eric commented.

When asked whether being based in the small US state of Connecticut has been a drawback to developing the business of Shariah Capital, Eric responded: "Not at all! Actually, it's been just the inverse. For better or for worse, being the sole Shariah compliant financial engineering firm in the US brings us into direct contact with some of the brightest minds on Wall Street." Being in close proximity to New York, the company has easy access to good deals, thus maintaining its lead in the market.

Shariah Capital's Shariah Long/Short Master Fund has shown results that are outstanding by market standards, when compared to the Standard & Poor's (S&P) 500 benchmark. Over the last three years, returns were 15% in 2004, 12.9% in 2005 and as at the end of October this year, the five managers in the portfolio have reported a 17.4% return. The figures for the S&P benchmark are 8.9%, 3% and 10.4% respectively

This solid performance can be attributed to the ability of Shariah Capital's fund managers. "We purposely look for the best managers who can accommodate both our Shariah supervisory board's Shariah compliance criteria and our requirements for a separate managed account at Barclays, New York, and our prime broker. We also select managers whose industry focus is already largely Shariah compliant: technology, healthcare, consumer, basic industries, etc," Eric stated.

The company has, up to this point, developed organically within the expanding world of Islamic finance. In addition to offering a range of products, Shariah Capital also has the requisite skill set and the image, with the full-time commitment of its board member, Sheikh Yusuf Talal DeLorenzo.

Eric discloses that Sheikh Yusuf, who recently authored the first American corporate Sukuk rated by S&P, is a signifier of the company's serious commitment to generating Sukuk. Sheikh Yusuf – a very prominent Shariah scholar in the western world – is Shariah Capital's chief Shariah officer, "whose experience and achievements in Sukuk are important for Shariah Capital's business." Eric believes that Sheikh Yusuf's expertise and capability will lead Shariah Capital into new areas of the Islamic capital markets, thus enabling the company to continue its role as a pioneer in this industry.

Sukuk is expected to contribute significantly to Shariah Capital's development and perhaps support the company's objective of becoming a market leader in the west. To ensure the success of any such venture, a close working relationship between the company and scholars in the field of Shariah needs to be fostered when developing any new product or instrument. "Their capacity and commitment to innovation is critical to our success and to future advancements for Islamic finance."

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