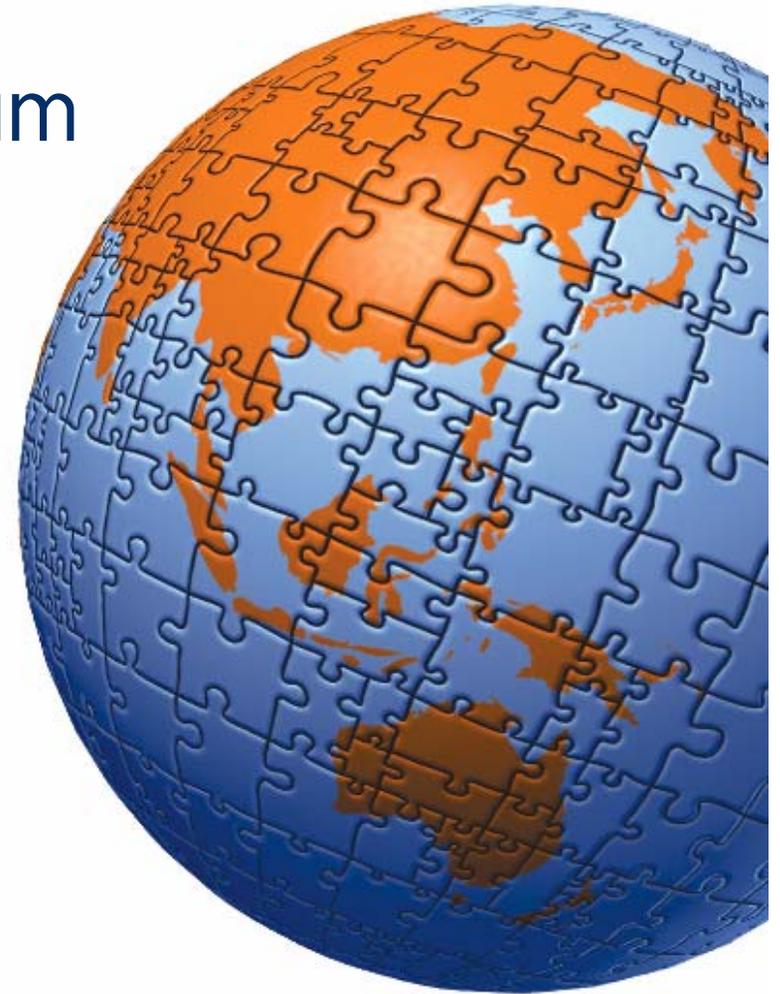


Islamic Finance News Forum Brunei

Developing Islamic Markets Through Indexation

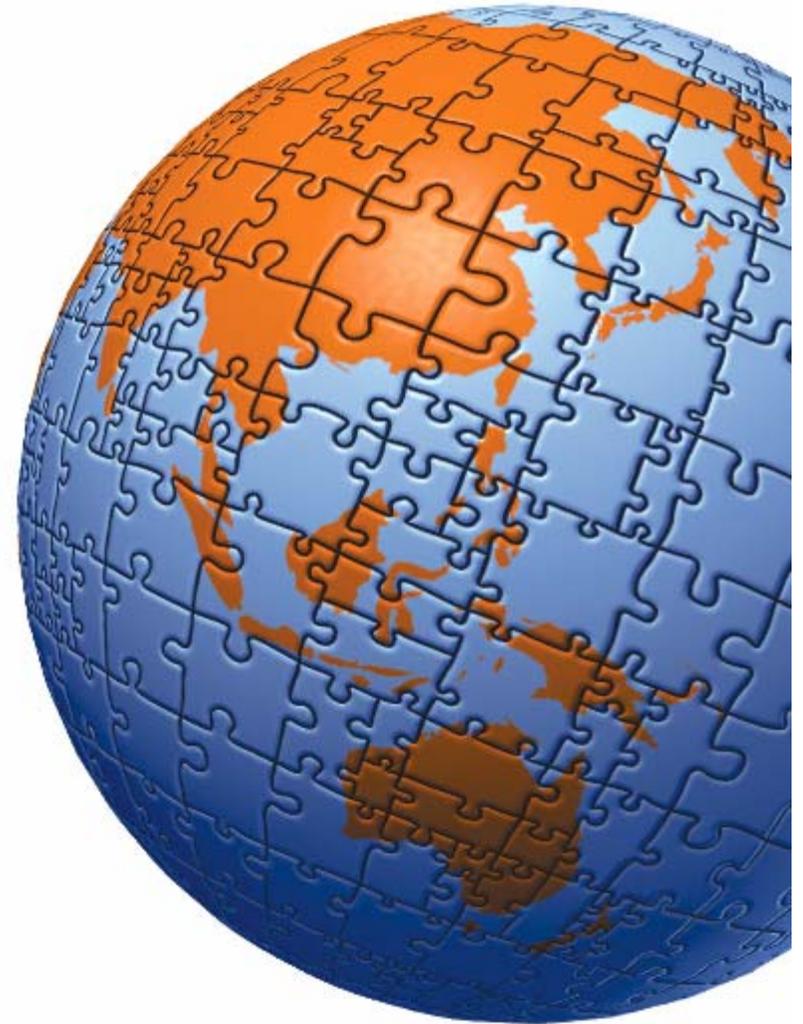
Charlene Low
Senior Business Development Manager
FTSE Asia Pacific

December 2008



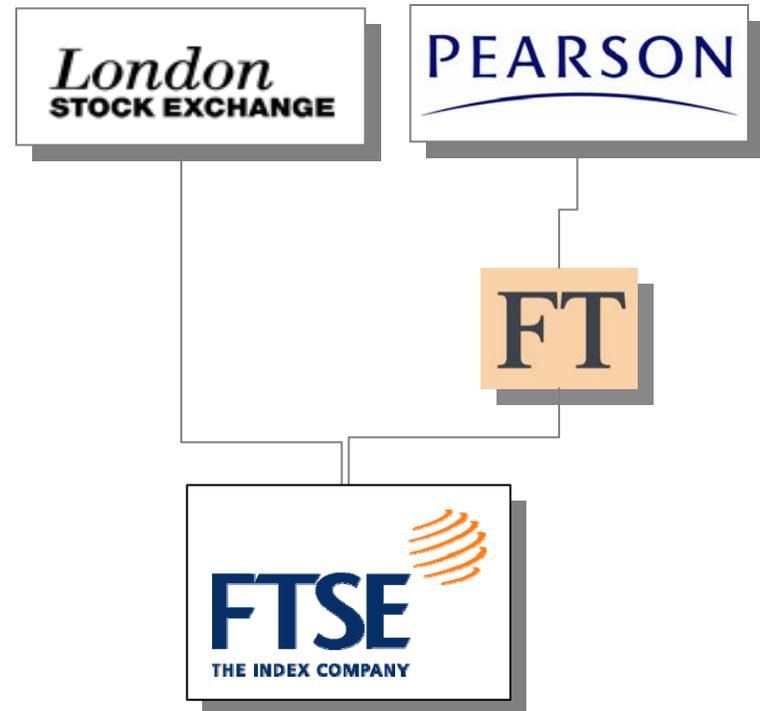
Agenda

- Developments in Shariah-compliant indexation
- Applications of indices and their role in asset management
- Developing indices for Islamic Investors
- Are conventional and Islamic finance converging?



The index provider of choice

- Independent company
- An equity index market leader with breadth and depth
 - 120,000 stock market indices daily
 - 600 real time indices
 - 98% coverage
- Global client base
 - Clients in 77 countries
- Awards Wins in 2008



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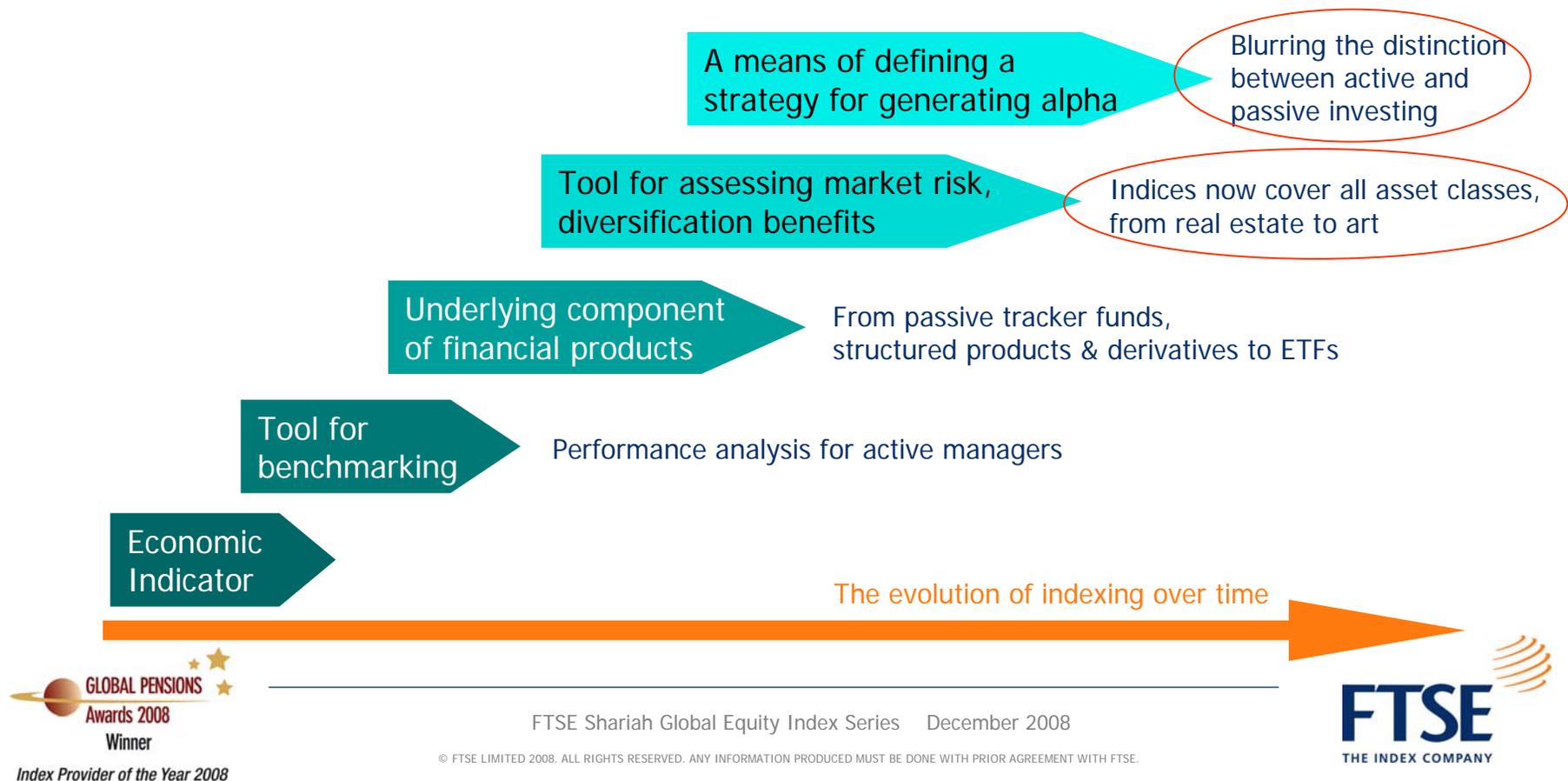
Applications of indices and their role in asset management

How are indices used?

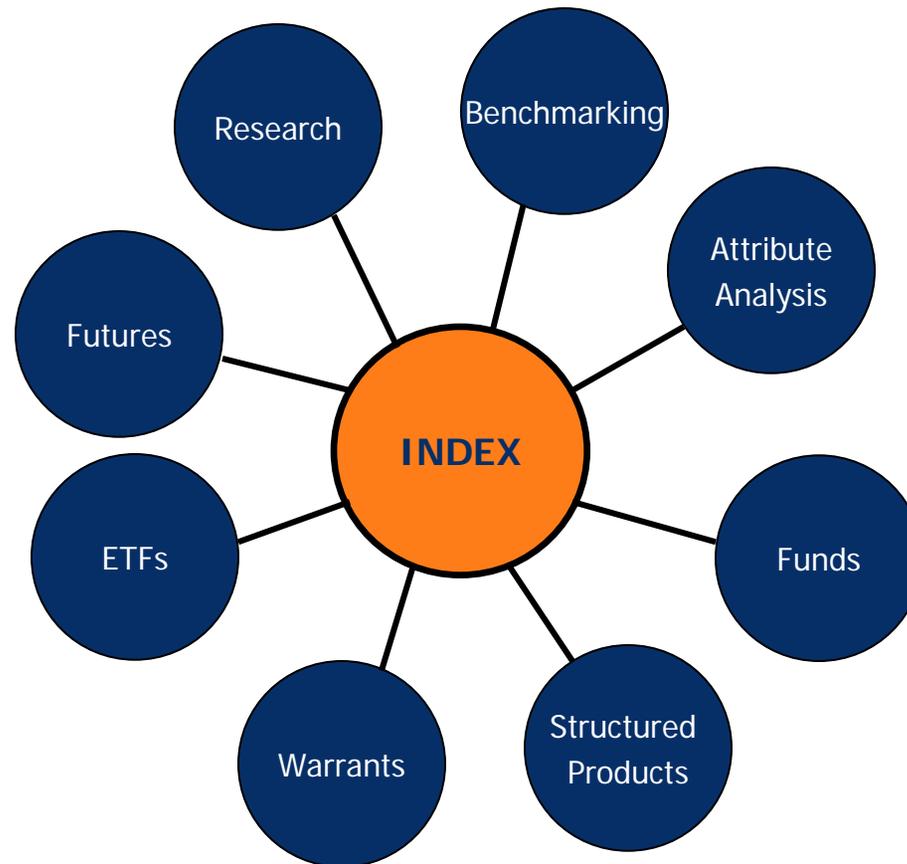


The Evolution of Indexing – Creating New Investment Opportunities

As the design and application of indices evolve, the introduction of new indexation concepts creates new investment opportunities and choice



Applications of Indices



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Developments in Shariah-compliant indexation

Index Providers Offer Choice

2 – 3 years ago, no indices available for investors and product issuers. Now there many choices:

- Dow Jones Indexes
- FTSE Group
- Standard and Poors
- MSCI
- Fund managers/banks (run in-house)



How do you choose?



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Shariah Indices Need Conservative Principles

Conservative	- non-compliant until proven otherwise
Consistent	- Strict, rules-based approach
	- Objective & consistent across regions
	- Comprehensive global database
Auditable	- Yasaar's Shariah Board monitors, reviews and audits at regular basis
	- Constituents are updated daily, and audit trails provided



Index Provider of the Year 2008

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Clear, Concise & Transparent Methodology

FTSE Global
Equity Index
Series



Filter

Investable
Universe

All
Companies

By Market
Cap
By Shariah
compliance

Free Float
Screened

Liquidity
Tested



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Screening process

UNIVERSE: FTSE GLOBAL EQUITY INDEX SERIES (LARGE & MID CAP STOCKS ONLY)

BUSINESS ACTIVITY SCREENING

No conventional finance
No alcohol

No pork or pork related
No gambling

No pornography
No tobacco

No weapons

FINANCIAL RATIOS SCREENING

The remaining companies are then further screened on a financial basis. The following financial ratios must be met for companies to be considered Shariah-compliant

- Debt is less than 33% of **TOTAL ASSETS**
- Cash and Interest bearing items are less than 33% of **TOTAL ASSETS**
- Account receivable and cash are less than 50% of **TOTAL ASSETS**
- Total interest and non compliant activities income should not exceed 5% of total revenue
- Appropriate purification of dividends at 5%

FTSE SHARIAH GLOBAL EQUITY INDEX SERIES

UNIVERSE THEN FILTERED ACCORDING TO EACH INDEX'S REQUIRED COUNTRY REPRESENTATION

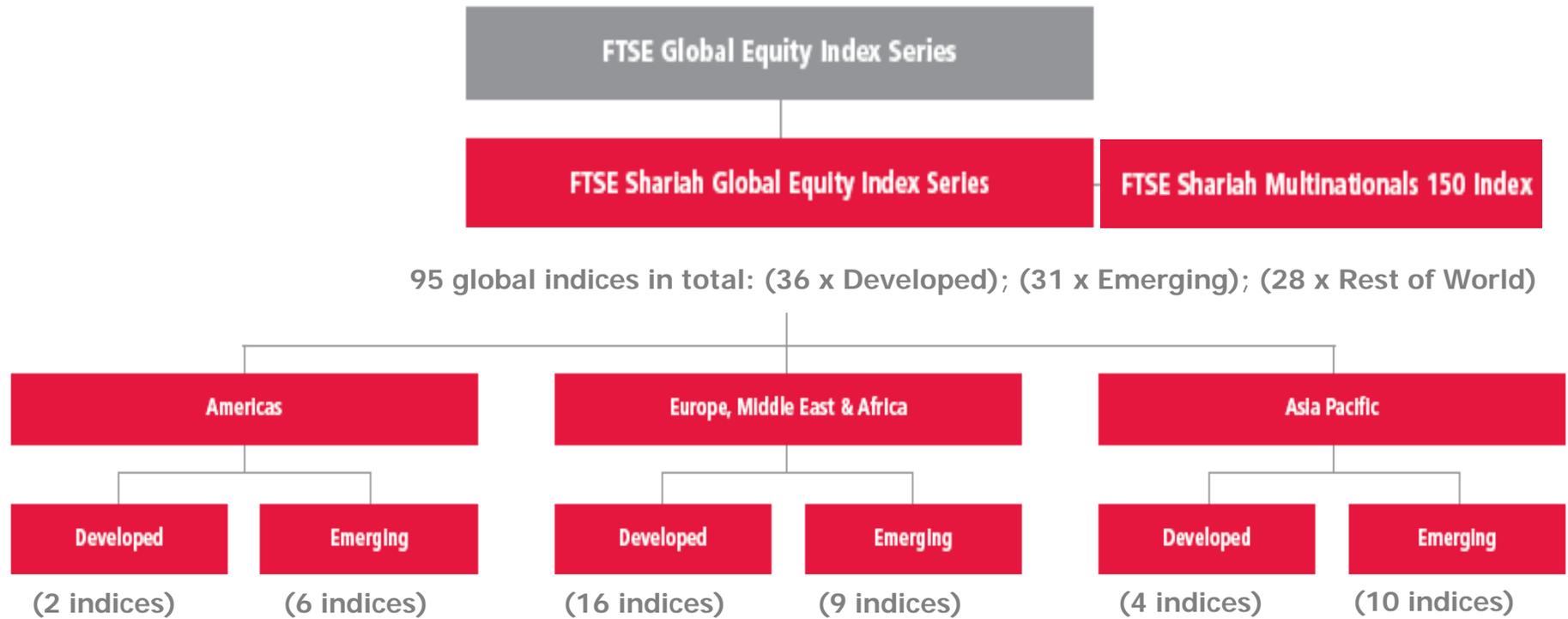


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FTSE Index Series Family Tree



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Are conventional and Islamic finance converging?

Comparing sectors of conventional and Shariah-compliant indices

ICB Code	ICB Industry	FTSE Shariah All-World Index Wt (%)	FTSE All-World Index Wt (%)	Relative Wt (%)	1Yr Perf (%)
0001	Oil & Gas	20.74	11.27	9.46	-0.18
1000	Basic Materials	11.22	6.64	4.59	-0.32
2000	Industrials	12.18	11.49	0.69	-0.31
3000	Consumer Goods	11.38	11.82	-0.45	-0.17
4000	Health Care	14.88	8.87	6.01	-0.12
5000	Consumer Services	5.57	8.37	-2.80	-0.23
6000	Telecommunications	5.53	5.17	0.36	-0.27
7000	Utilities	4.32	4.99	-0.67	-0.16
8000	Financials	1.15	22.38	-21.23	-0.35
9000	Technology	13.03	9.00	4.03	-0.27
	Total	100.00	100.00	-	-

Source: FTSE Group, total return data in USD as of 30 September 2008

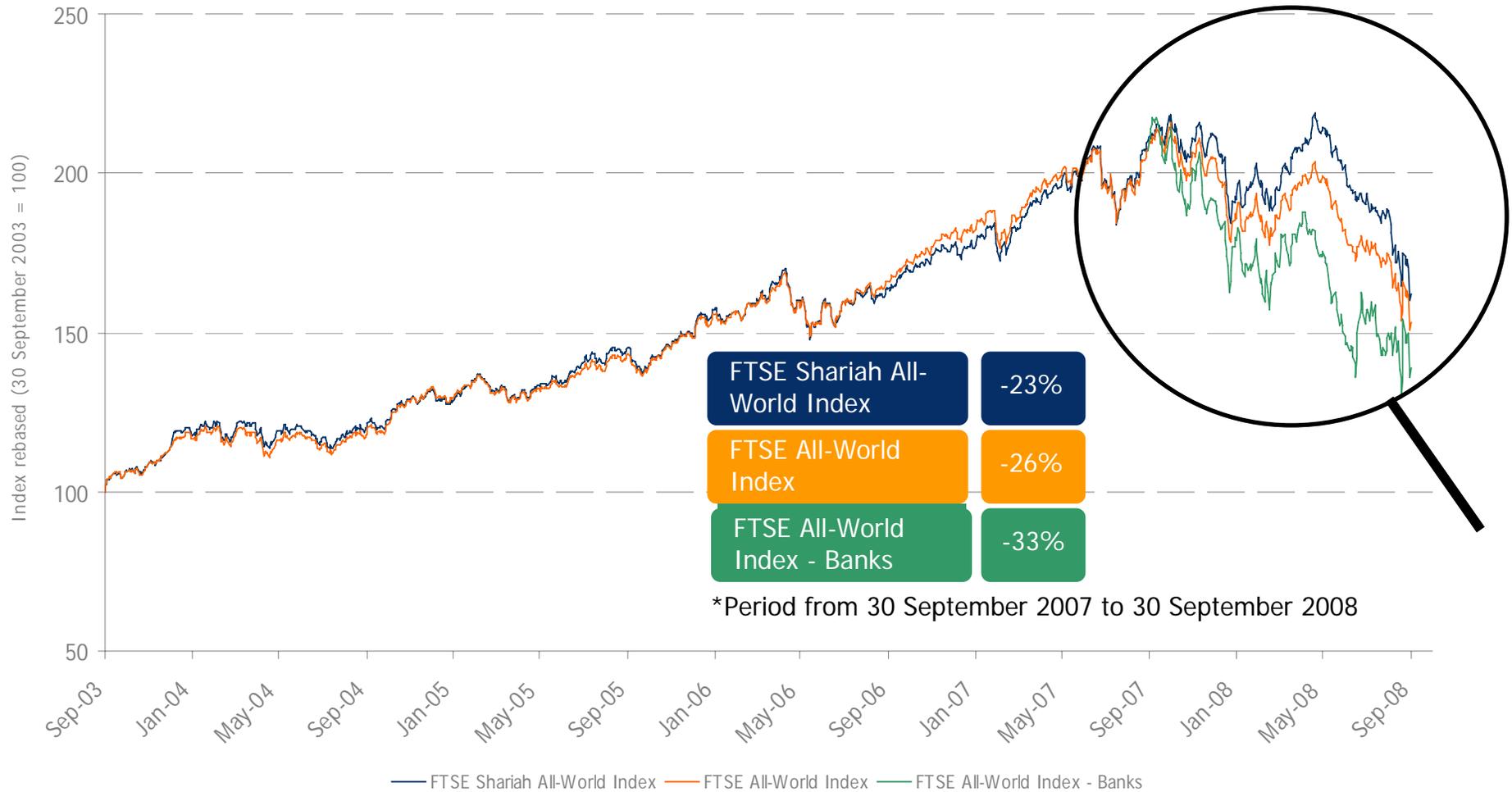


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5-Year Global Market Performance

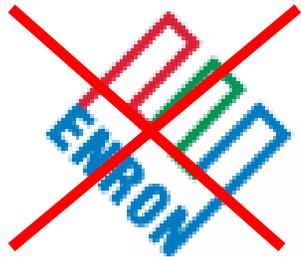


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Health Check on Future Financial Performance



“Enhances due diligence, discourages speculation and promotes more committed buy-and-hold investing”

Nicholas Kaiser, President

Saturna Capital, Advisor to Amana Income Fund

Concluding Comments - Shariah Finance is inclusive

- Islamic investors cannot invest into conventional financial instruments however conventional investors can invest into Shariah instruments
- This makes the potential universe as big as there are as many investors of any kind in the world



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FTSE

THE INDEX COMPANY

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