

Providing a Robust Islamic Asset Management Platform for Takaful Pools

Ramlie Kamsari
Chief Executive – CIMB-Principal Islamic Asset Management

International Takaful Summit
26 February 2014



Agenda

Section 1	Introduction	3
Section 2	Robust Islamic Asset Management Platform	5
Section 3	Challenges faced by Global Takaful	7
Section 4	Robust Islamic Asset Management Platform Addresses Takaful Challenges	9
Section 5	Conclusion	19

Section 1

Introduction

Introduction

Global Islamic Asset Management Industry – End 2013

➤ Global AUM US\$ 73.7bn*

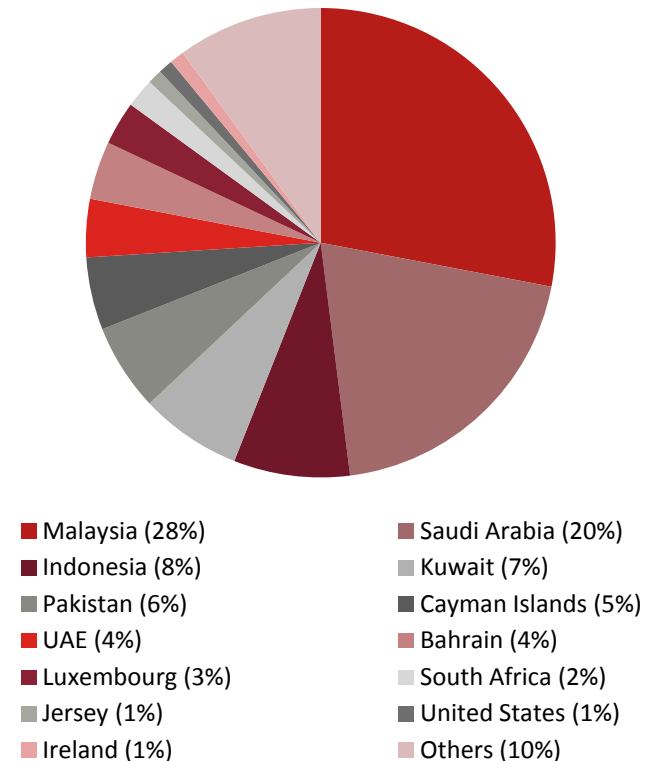
➤ Malaysia & Saudi Arabia are the largest Islamic fund markets, together:

- Assets by Domicile: 63.1% (US\$ 46.5bn) of global AUM
- Number of Islamic Funds: 48% of total Islamic funds

➤ Returns of Top 10 Islamic Funds* (average):

- Equity Funds: 45%
- Mixed Funds: 32%
- Sukuk: 10.1%
- Money Market: 6.2%

Number of Islamic Funds – by Domicile



* As of 9 December 2013

Source: MIFC Global Islamic Fund – Industry Growth Despite Challenging and Volatile Market,, KFH Research Limited, Bloomberg, EurekaHedge,

Section 2

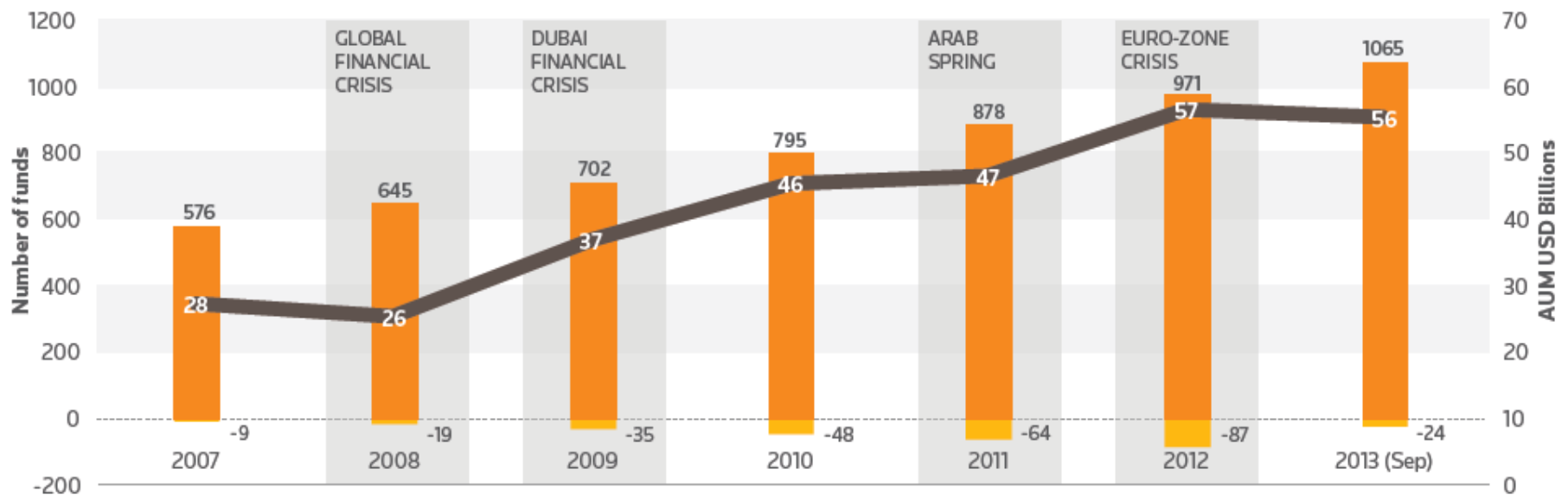
Robust Islamic Asset Management Platform

Robust Islamic Asset Management Platform

Growth of Islamic Asset Management shows resilience from global economic crises

- AUM with a CAGR of 7.86% between 2009-2013
- Total AUM size doubled in size since 2007, amounting to US\$ 73.7bn* (+10.2% Y-o-Y)
- Increases in number of Islamic funds with different asset classes totaling to 1,065 Islamic funds

GLOBAL ISLAMIC FUNDS



* As of 9 December 2013

Source: MIFC Islamic Finance Industry – Outperforms in 2013, Thomson Reuters /Lipper – Global Islamic Asset Management Report 2014, KFH Research Limited

Dead Funds

No. of Funds

AUM

Section 3

Challenges faced by Global Takaful

Challenges faced by Global Takaful

Overview



Section 4

Robust Islamic Asset Management Platform Addresses Takaful Challenges

Solving Challenges: Asset Class Concentration

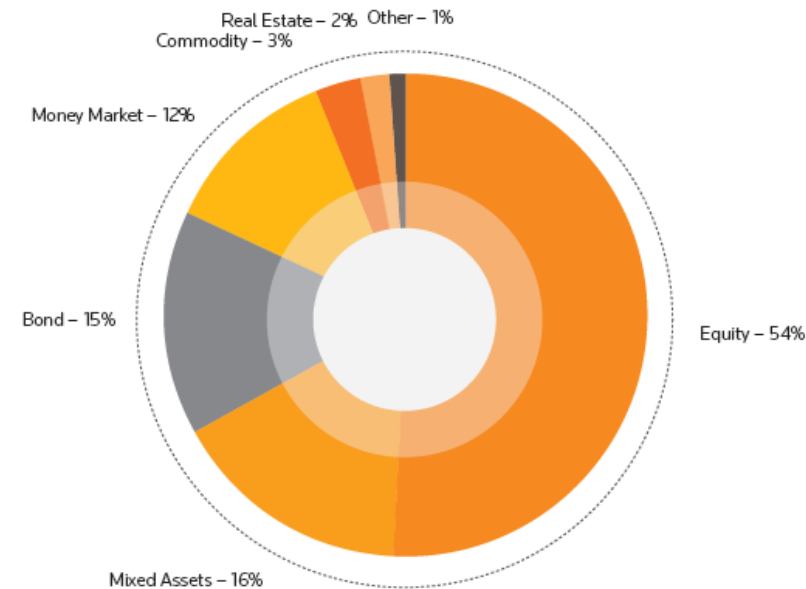
Asset Class Concentration

- Limited access to a broad range of Shariah-compliant asset types
 - Scarcity of short-term & long-term non-equity financial instruments

Robust IAM Platform

- Launches of new asset class funds increased by +51.85% from 2012 to 2013
 - Sukuk
 - Equity
 - Money Market instruments
 - Mixed Assets
- International expertise with access to various asset types
- Achieving optimal asset allocation

GLOBAL ISLAMIC FUNDS – ASSET TYPE (2013)



Solving Challenges: Asset & Liability Mismatch

Asset & Liability Mismatch

- Lack of assets with longer duration to meet long-term liabilities
- Domestically centric assets & investments
- Assets denominated in differing currencies than the liabilities

- Sukuk fill the gap for long-term investments – especially for Family Takaful
 - Highest increase in Sukuk fund issuance (+166.6%)
- Capability to invest assets globally & denominated in diverse currencies

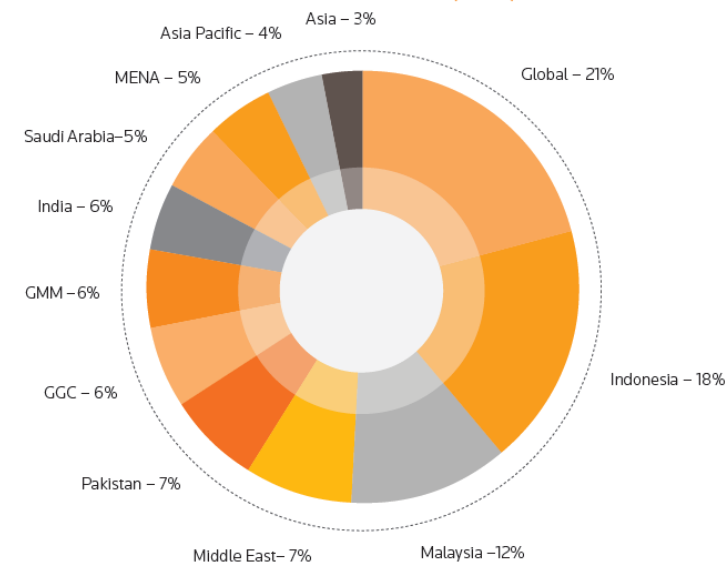
FUND LAUNCHES AND ASSET TYPE BREAKDOWN (2009 – 2013)

YEAR	No. of Funds	Bond	Equity	Mixed	Money Market	Real Estate	Other*
2013 (Sep 31)	82	24	30	19	8	1	-
2012	54	9	23	9	6	3	4
2011	62	9	32	4	10	6	1
2010	77	19	34	12	7	4	1
2009	53	18	18	3	11	1	2

*Includes other funds, commodity funds, and Alternative Funds

Source: Lipper

LAUNCHED FUNDS – GEOGRAPHICAL FOCUS (2013)



Solving Challenges: Protecting Takaful pools

Protecting Tabarru'
Fund, Participants
Investment Account &
Shareholders' Fund

- Meeting claims & expenses
- Generating competitive returns for investors
- Increasing confidence for current & potential customers

Robust IAM Platform

- Providing prudent asset management
 - Risk diversification (diversified portfolios)
- Generating competitive & risk-adjusted returns
- Historically greater stability of returns
 - Less volatile in economic downturns

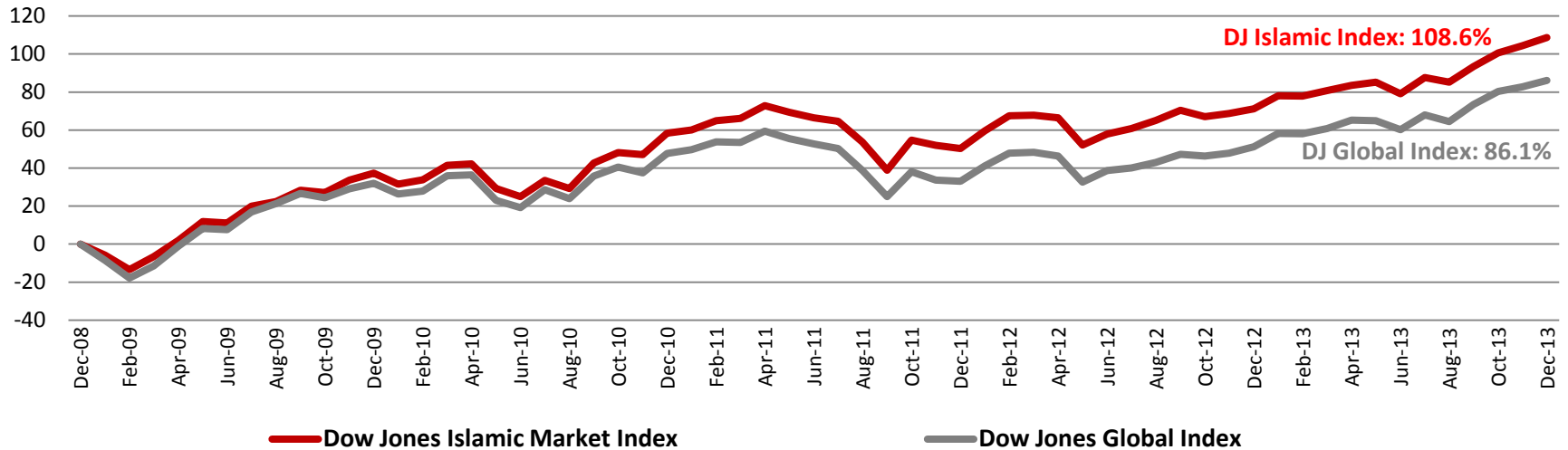
Solving Challenges: Protecting Takaful pools (Cont'd)

Generating Competitive & Risk-Adjusted Returns

Robust IAM Platform

Islamic Index vs. Conventional Index

Five-Year Cumulative Index Returns (in %) (December 2008 - December 2013)



Comparative Returns¹ and Volatility:

Dow Jones Islamic World Index vs. Dow Jones Global Index

18-months Bear Market (October 2007 - March 2009)

	DJIM World	DJ Global	Difference
Total Return	-43.21%	-50.48%	7.27%
Annualized Total Return	-31.83%	-37.87%	6.04%
Annualized Volatility	32.47%	34.08%	-1.61%

Comparative Returns¹ and Volatility:

Dow Jones Islamic World Index vs. Dow Jones Global Index

Five Years (December 2008 – December 2013)

	DJIM World	DJ Global	Difference
Total Return	85.68%	82.72%	2.93%
Annualized Total Return	13.17%	12.81%	0.36%
Annualized Volatility	16.24%	17.25%	-1.01%

¹ Returns are for price levels of the Dow Jones Indexes only and do not include dividend reinvestments

Source: Bloomberg as of 31 December 2013

Solving Challenges: Shariah Audit

Shariah Audit

- Ensuring ongoing Shariah compliant investment pools
 - Mitigates Non-Shariah compliance Risk
 - Reduces Reputational Risk

- Robust IAM Platform
- Shariah Committee in place (minimum of 3 members)
 - Integrated Shariah Governance Process

Solving Challenges: Shariah Audit (Con't)

Integrated Shariah Governance Process

Robust IAM Platform

- Portfolio holdings are regularly monitored for Shariah compliance
- Screening process across all investment capabilities is consistent

Shariah principles are ingrained in the investment management process

Shariah Constituents
Identification

Client Portfolio
Construction

Ongoing Shariah
Compliance Monitoring

Solving Challenges: Product Development

Product Development

- Broadening product range to strengthen competitive position
- Customizing products to address specific customer needs

➤ Professional Teams with

- Strong international expertise – international best practice in places
- Market know-how (Market Intelligence, Market Research)
 - Detecting market trends
- Product know-how
 - Creating new asset classes to provide investors with unique selling propositions
- In-depth Shariah knowledge

Robust IAM Platform

Solving Challenges: Lack of Consumer Awareness

Lack of Consumer Awareness

- Limited knowledge of Takaful as a religiously acceptable alternative to conventional insurance
- Low penetration rate (2012): Saudi Arabia (0.75%), Malaysia (4.8%), UAE (1.98%), Indonesia (1.77%) and Turkey (1.37%)

Robust IAM Platform

- Outsourcing asset management function releases additional resources of Takaful Operator for activities
 - Marketing & Sales
 - Educating market players
 - Customer services
- Providing distribution & communication channels
 - Cross-selling Investment-linked products

Solving Challenges: Industry Growth

Industry Growth

- Achieving growth and covering mass market

Robust IAM Platform

- Leveraging on Islamic Capital Markets & Islamic Financial Industry
 - Building Synergies to satisfy customer needs
 - Using common platforms to save resources & share intelligence
- Increasing market visibility, international recognition & acceptability of Islamic finance

Section 5

Conclusion

Conclusion

Robust Islamic Asset Management provides platform for Takaful pools

Islamic Asset Management is a growing & resilient industry able to support Takaful operators by

- Generating competitive investment returns with optimal asset allocation & international expertise
- Diversifying investment risk
- Ensuring Shariah-compliant processes
- Offering innovative Shariah-complaint investment funds
- Releasing Takaful operator from investment management function to focus on its core businesses:
 - Underwriting
 - Distribution
 - Operations
- Increasing market visibility & international recognition of the Islamic Financial Industry
- Building Synergies

Thank You

CIMB-Principal Islamic Asset Management

Full spectrum of Islamic investment solutions
customized to best meet global investors' needs and objectives

Ramlie Kamsari

Chief Executive

CIMB-Principal Islamic Asset Management Sdn Bhd

Phone : + 60320842289

Email : ramlie.kamsari@cimb-principal.com

Important Notice

All figures shown in this document are in U.S. dollars unless otherwise noted. The information in this document has been derived from sources believed to be accurate as of July 2013.

This document is provided to you for information only and should not be construed as an offer or a solicitation of an offer to purchase or subscribe or sell securities. It may not be reproduced, distributed or published by any recipient for any other purpose.

The information contained herein has been derived from sources believed to be reliable and is current as at the publication date. No representation or warranty is made nor is there acceptance of any responsibility or liability as to its accuracy, completeness or correctness. Expressions of opinion contained herein are those entirely of CIMB-Principal Islamic Asset Management Sdn Bhd only and are subject to change without notice. Persons wishing to rely upon this information should perform their own independent evaluation of risks and benefits or consult directly with the source of information or obtain professional advice.

Past performance is not reflective of its future performance.

Issued by CIMB-Principal Islamic Asset Management Sdn Bhd.

Annual Disclosure Presentation

CIMB-Principal Islamic Asset Management Sdn. Bhd.

The information in this document should not be construed as investment advice or a recommendation for the purchase or sale of any security. Past performance is not a reliable indicator of future performance and should not be relied upon to make investment decisions. The value of investments and the profit from them may fall as well as rise. The information in this document derived from sources other than CIMB-Principal Islamic Asset Management Sdn. Bhd. (CIMB-Principal Islamic, The Company) or its affiliates is believed to be reliable; however we do not independently verify or guarantee its accuracy or validity.

CIMB-Principal Islamic Asset Management Sdn. Bhd. has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

CIMB-Principal Islamic is a joint venture between Principal Global Investors and CIMB Group Sdn. Bhd. The Company is headquartered in Kuala Lumpur, Malaysia.

CIMB-Principal Islamic maintains a complete list and description of composites, which is available upon request. Representative portfolios utilized to illustrate portfolio characteristics are selected on non-performance-based criteria including account restrictions, size that is representative of strategy, length of time under advisor's management and affiliation.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firms. Performance results reflect total returns including profit and market value changes. Accrued Accounting is used for securities that accrue profit. Performance results are time-weighted rates of return, net of commissions and transaction costs. No selective periods of performance have been utilized. No alterations of composites as presented here have occurred because of changes in personnel or other reasons at any time. Monthly and quarterly composite calculations have been appropriately weighted by the size of each portfolio based on beginning market values. Annual and multiyear cumulative annualized composite returns are obtained by linking monthly composite results. Additional information regarding policies for calculating and reporting returns is available upon request.

Unless otherwise noted, the U.S. Dollar is the currency used to express performance. Returns include the reinvestment of all profit. Returns from all securities, including cash reserves and equivalents and/or convertible/preferred securities held within equity or fixed profit portfolios are included in performance calculations. Actual returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. If applicable, the annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

The index benchmarks are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the portfolios included in the composites.

Unless otherwise noted, for all international, global and regional portfolios, composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile. Information regarding the benchmark, including the percentage of the composite invested in countries or regions not included in the benchmark, is available upon request. Returns include the effect of foreign currency exchange rates. Unless otherwise noted, both the composite and the index are reflected gross of withholding taxes on dividends, where appropriate. This is done to reflect a tax free return because different investors could have varying tax rates depending on where they are domiciled.