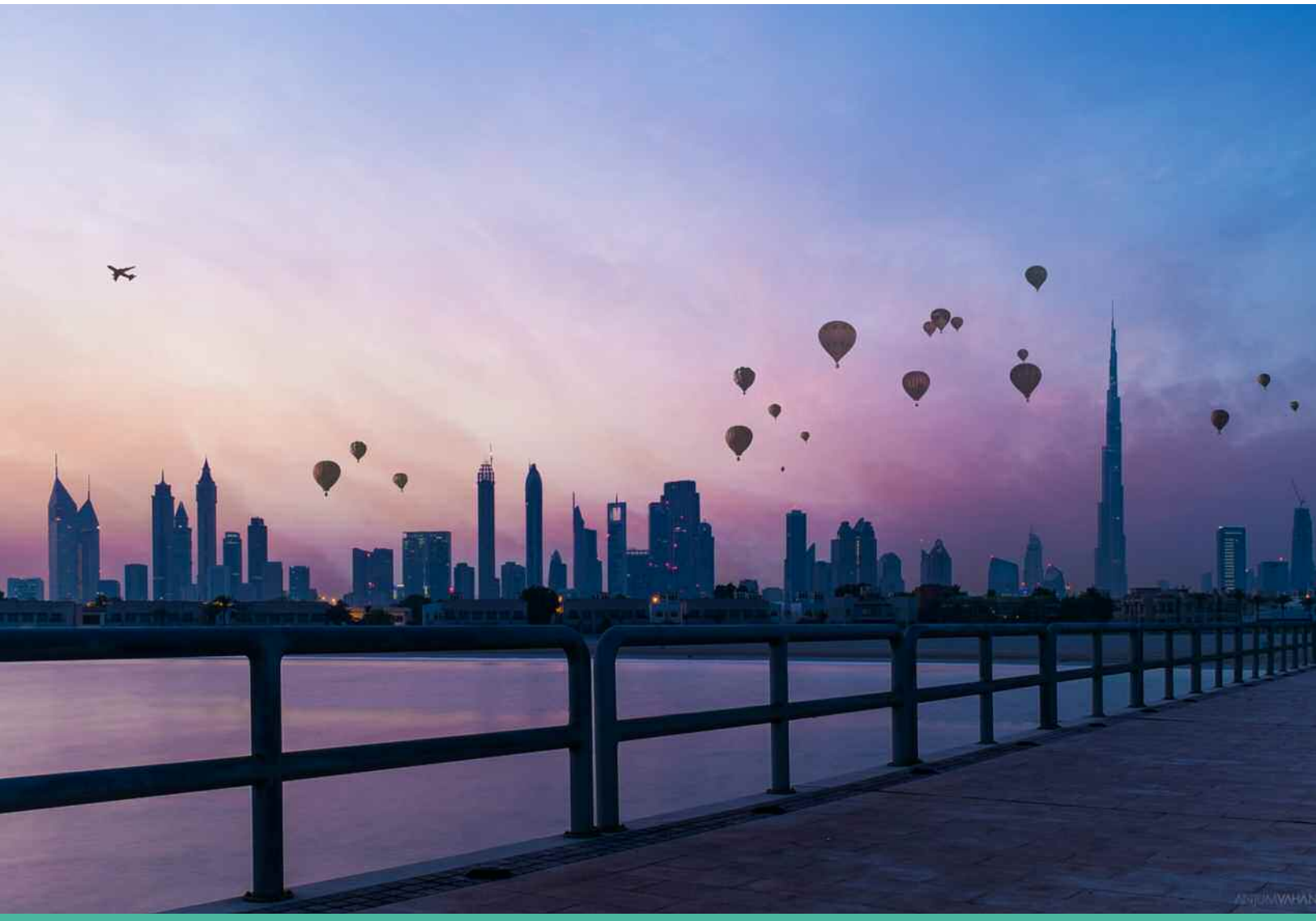
OPALESQUE



Opalesque Roundtable Series '14

GULF

Opalesque Roundtable Series Sponsor:

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Editor's Note

Gulf based managers start to attract foreign capital

While in the past Middle Eastern investors tended to outsource asset management to Western managers, today we can see that a lot of assets are staying there, and funding local projects; infrastructure, healthcare, education, and real estate. *Dozens of new funds are set up* — while about 50% of them will be real estate focused, the other 50% represent a mixture of private equity, venture capital, mezzanine, credit and hedge funds that engage in more strategies than ever, including commodities, trade finance, film funding, SME credit, or aircraft financing. Local managers and service providers notice a marked increase in appetite from foreign investors to invest in funds that are managed by regional managers who invest in the region.

Gulf economies seen as favourable environment for public equities and infrastructure

The markets of the Gulf stand to do well with a strong dollar peg and ongoing significant government spending and investment domestically. There has been legitimate concern recently about the rapid drop in oil prices. However, given a decade of accumulated reserves from twin surpluses, the governments can afford to run at a slight deficit, if that becomes necessary, for a few more years. This maintains a favourable environment for both public equities and infrastructure investments. However, after the recent rerating (UAE and Qatar joining the MSCI Emerging Market Index), being highly selective within that opportunity set will be critical.

The multiples that are being offered in the IPO space have become very attractive to local businesses and local families now to go public. This, together with a more friendly regulatory framework that further encourages IPOs, will also pave the way to more IPOs. Vehicles like a GCC Pre-IPO fund are set up to capitalise on private to public transactions by investing in pre-IPO founder shares.

The Growth Story of Islamic Finance

In the past years, a number of developments took place within Islamic Finance, particularly in the sukuk space. This is an asset class with a very large supply and demand imbalance. Sukuk went from being a type of an ABS security that was rarely found outside of Malaysia or Indonesia to a major asset class that an increasing number of financial institutions are looking to get exposure to.

A big development over the last two quarters was the issuance of sukuks from Non-Islamic countries. We have seen a U.K. Government issue, a South African Government issue, a Hong Kong Government issue and a forthcoming Luxembourg Government issue. These are all major steps to giving the asset class as a whole increasing credibility. Islamic Finance has evolved from an industry which in the past has predominantly serviced a retail type of client base to now also servicing institutional clients and conventional investors. The important thing to remember is that a well-managed Shariah fund can perform just as well and if not, actually better than a conventional peer.

First open architecture Islamic managed account platform launched

QInvest, Qatar's leading investment bank, has created QMAP as the world's first open architecture Islamic managed account platform. It brings best practice from the conventional fund industry to Shariah investors through a range of global partnerships with managers around the world. QMAP provides the structures and support to help asset managers launch Sharia compliant products, and ease the compliance burden. The platform has met with strong demand from both investors and product providers.

The Opalesque 2014 Gulf Roundtable was sponsored by Eurex and Maples Funds Services and took place October 20th in Dubai with:

1. Dr. Ataf Ahmed, Head of Asset Management, QInvest
2. Dr Amin El Kholy, Managing Director, Asset Management, Arqaam Capital
3. Nader Salman, MD, Evolvence Capital
4. Phillip Sacks, Senior Associate, King & Spalding
5. Fred Tabbal, Regional Head of Fund Services - Middle East, Maples Fund Services
6. Renaud Huck, Head of Buy-Side Relations, Eurex / Deutsche Boerse Group

The group also discussed:

- What are the three main challenges the Gulf economies face beyond a five year horizon?
- Why do Gulf-based investors see Europe as attractive? Which economies in the Gulf propose the best opportunities to investors?
- How will a rising rate environment affect sukuks? Which challenges remain in Islamic Finance?
- Why and how do exchanges want to get involved with Islamic Finance?
- What does Malaysia's $160 billion state pension fund move into Islamic Finance mean for the industry?
- What real effects do the Qatar FIFA World Cup in 2022 or Dubai's World Expo in 2020 have on the local economies?
- Why is the long term growth story for Dubai seen as solid and intact?
- Where are regulations heading in the Gulf?

Enjoy!

Matthias Knab
Knab@Opalesque.com

Participant Profiles



(LEFT TO RIGHT)

Matthias Knab, Renaud Huck, Dr. Amin El Kholy, Nader Salman.

Dr. Ataf Ahmed, Phillip Sacks, Fred Tabbal.

Introduction

Renaud Huck
Deutsche Börse Group

This is Renaud Huck, I am the Head of the Buy-Side for Deutsche Börse Group. Deutsche Börse Group and I work more specifically for Eurex Exchange, which is the listed derivative exchange of other company. We are the largest European Exchange, and our role is to offer listed instruments in various asset class to the trading community.

My role within the company is to promote buy-side entities and to give buy-side entities a voice within the company, and whether they are a hedge fund asset managers, pension fund, Sovereign Wealth Fund, Central Banks, and also to work with them, to explore new avenues, whether in terms of services or in terms of products that the company listed.

Dr. Ataf Ahmed
QInvest

My name is Ataf Ahmed. I work at QInvest. QInvest is based in Doha. We are an Islamic investment group set up around about seven years ago as effectively a subsidiary of the Qatar Islamic Bank. We have three lines of business: investment banking, principal investments – where we have a billion dollars of our own capital that we deploy to different markets regionally and globally or into Islamic products – and thirdly, asset management, which I head up.

The focus of my team and my group is to offer to our client base and also to the wider market best in class Islamic products, across a range of different asset classes and different risk tolerances. We cover equity, fixed income, multi-manager and multi-asset class strategies.

Some of our portfolios and funds are run in-house, and we also enter JV relationships with external groups in sectors where we find that they have a greater expertise and market knowledge than we do.

I joined QInvest four years ago. Prior to that I used to be with UBS in Zurich as part of a fund of hedge funds group and I started my career with the Barclays Group in London.

Phillip Sacks
HighWater Limited

My name is Phillip Sacks. I am head of King and Spalding's Middle East investment funds practice. We are the leading funds practice in the region and we structure and establish all types of investment funds including real estate, private equity, venture capital, credit and hedge funds as well as Shariah-compliant funds.

Fred Tabbal
Maples in the Middle East

My name is Fred Tabbal. I am the Head of Fund Services for Maples in the Middle East. Maples Fund Services is a global fund administration and fiduciary service provider with $48 billion assets under administration. In the Middle East we have a significant portfolio of private equity, real estate, and single manager funds. We also offer comprehensive fiduciary services and maintain a leading position throughout the MENA Region.

Nader Salman
Evolvence Capital

My name is Nader Salman. I am a MD at Evolvence Capital. I head the Capital Formation Group, which is an independent investment advisory firm dedicated to sourcing and placing investment solutions for a range of institutional clients in the Middle East, North Africa, and South Asia.

My group leverages on a global network of clients and fund managers to place and source innovative alternative investment strategies and advise on select equity/debt transactions. The capital formation team also supports the financing and capital raising needs of Evolvence's different lines of business in Education, Consumer Retail, and Asset Management.

The firm is head quartered in Dubai and has a long history in investing and operating in the emerging markets. Its shareholders include a royal family member, government pension fund, and leading GCC business men.

Dr. Amin El Kholy
Arqaam Capital

My name is Amin El Kholy. I work in Arqaam Capital. Arqaam is a full-service investment bank focusing on frontier and emerging markets. We have a number of lines of businesses including capital markets activities in Equities, Fixed Income and OTC derivatives across the Middle East and Africa. Corporate Finance activities cover M&A with an emphasis on cross border EM to EM transactions, as well as ECM and DCM. Our research department covers 200 stocks in the Middle East and Africa.

On the client asset management side, I head up the public securities activites at Arqaam where we manage around US $550 million across three funds. Arqaam also manages client asset management in our infra-structure department, in close-ended funds focusing on Middle East and North Africa. We currently have one fund of $75 million and new fund launching before the end of 2014.

The firm is headquartered in Dubai, with our research center is in Beirut. We have a brokerage operations on all UAE exchanges as well as offering brokerage on the Qatari Stock exchange. In Africa we have brokerage operations on the Cairo Stock Exchange and on the Johannesburg Stock Exchange, as well as an office in Tripoli, Libya. We are looking to expand further in the Middle East and Africa.



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Matthias Knab Recently, volatility has come back to the markets. How are you positioned, what are you experiencing currently?

Dr. Amin El Kholy Our existing focus in public securities asset management is on the Middle East, North Africa, and Turkey, predominantly in equities. In future we are looking to expand further into Africa, frontier and emerging markets.

With a focus on the frontier and emerging markets, the big global factor is the eventual tightening and its timing. There's still some debate on that, but likely that it happens in the U.S. in the coming year, possibly in the U.K. as well, but not yet in Europe. That said, the actual tightening will be subdued which, after the markets adjust to the new environment, will still favor equities as an asset class in the US.

In emerging markets, we have seen the impact of anticipation of U.S. monetary policy on certain vulnerable economies in 2013 – economies with current account deficits in particular, but also budget deficits where a stronger dollar will have a negative impact. Markets not suffering from such symptoms that benefit from more solid currencies will continue to do well based on a shift to domestic consumption. This argues for selective allocation to emerging markets.



Within our current universe, the markets of the Gulf, in contrast to Turkey, which has to contend with its current account deficit, stand to do well with a strong dollar peg and ongoing significant government spending and investment domestically. There has been some concern recently about the rapid drop in oil prices. We don't see that changing government policy for the next few years – given a decade of accumulated reserves from twin surpluses, they can afford to run at a slight deficit, if that becomes necessary, for a few more years. This maintains a favorable environment for both public equities and infra-structure investments, however, after the recent re-rating, being highly selective within that opportunity set will be critical.

I think five years or more from now perhaps there are medium term risk factors that are yet to be clearly resolved. Where will oil prices be and what's the impact of that on government spending?

Matthias Knab What are some of your scenarios when it comes to the price of oil in say five years?

Dr. Amin El Kholy: I have no target price for oil prices in five years and that type of prediction has eluded many in the past. I think the investment thesis for the Gulf for the next five years remains driven by the same factors. The need to address certain structural imbalances in the economy and demographics means there is an investment cycle that already has been in place for several years and that will continue to present opportunities. Government surpluses and strong accumulated reserves combined with economic reform measures and a strong dollar peg will persist.

Beyond the five year horizon there are three main challenges that face the Gulf economies. One is potential for tipping into structural deficits as increased domestic consumption and high government spending push the break-even level of oil prices higher. This can be coupled with increased pressure if energy efficiency measures and alternative supply sources push oil prices down. This varies from country to country – with Qatar and Kuwait in the most comfortable position, but Saudi Arabia being more vulnerable.

Secondly, we have to ask if these economies with their young demographics can turn this factor into opportunity, or will it start causing domestic problems if that young population cannot be employed productively? Again, in the next five years it will become clearer how successful the policy changes have been, but it remains a serious challenge.



Third is the seemingly ever-present geopolitical risk and how the regional map will develop in response to recent events. Again, I can see five years more or less of status quo, but with changes beneath the surface. Beyond five years it will be interesting to see how these changes will mean for this part of the world.

Dr. Ataf Ahmed: I think Amin answered very eloquently. I find very little I disagree with him on.

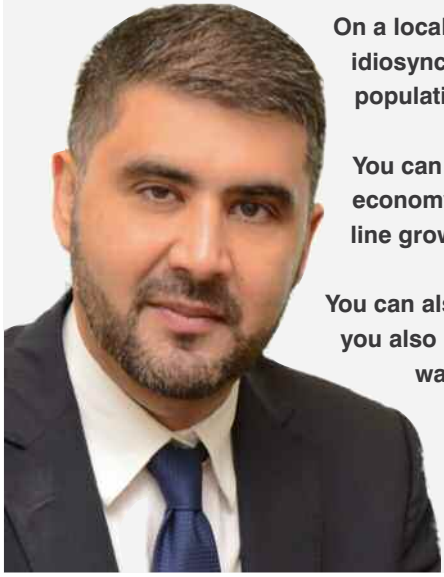
For QInvest, we are a little different as a firm since the investment space for our clients is only Shariah compliant investments. In that sense, we are a bit more constrained in terms of the type of investments we can do. The main asset classes that our clients engage in, leaving aside real estate, are equity, sukuk and cash deposits.

In the last few years you have seen a movement away from cash deposits, particularly from clients that are very yield focused. In local markets many clients are looking for yield. Some clients opt to obtain this via equities, a bit like Western investors did back in the '70s, whilst others will focus on sukuk.

A question is on whether sukuk will offer the same opportunity on a long term basis when we return to a rising rate environment. I think at the end, the big bull run in fixed income will impact sukuk negatively, but whilst we are already seeing some people move away from them it is not to the extent that might be expected. This is partly driven by the supply and demand imbalances in terms of sukuk issuances. Simply put, there's not enough paper out there to satisfy all the investors who would like to hold them.

When we consider equity, our firm has been very bullish on the U.S. for a while. For our own investor base, we have been effectively holding off going into Europe for quite some time now. However, the events in recent weeks have made us a little bit more positive and maybe this is the point that we finally go into Europe, with a three to five year investment view.

As a starting point we will use the current weakness as buying opportunity, and the fact that Europe is going to be starting its own type of quantitative easing is encouraging. The U.S. has already shown what a strong impact QE had on their markets, so we see this as a good potential entry point for Europe over the mid to long-term.



On a local level, our client base is far more focused around Qatar, and Qatar is pretty idiosyncratic when we compare it to the rest of the Gulf. Qatar has a comparatively small population, a very high GDP and a very high expat population.

You can also see a certain amount of exuberance at times in the markets and in the economy, but as a matter of fact there are a good number of corporates that do have top-line growth, which you don't necessarily see in all parts of the Gulf.

You can also see a number of demographic factors that Amin referred to earlier, but in Qatar you also have other kinds of catalysts that have been there in the background that people watch more carefully. One of those, at least when I speak to local investors, is the Garcia Report. The big question on everyone's mind is what happens with FIFA? Is there a chance that the World Cup bid gets taken away, and what would be the impact?

Our own assessment is that we don't think the World Cup is going to go anywhere; but they might change the timing. And even if it was to be removed, we wouldn't really necessarily expect the GDP and the economy to be affected other than through publicity and negative sentiment.

So, to recap our views, on a global basis we like the U.S., but we have actually started to think of Europe now. On the local markets, at this stage, our focus is on Qatar and selected other GCC economies such as Abu Dhabi and Saudi rather than the rest of the Gulf and MENA Region as a whole.

Those of our clients who like real estate are finding less and less places to go to where they can find value. Europe looks very expensive, and the U.S. has become expensive as well. What happens is that those investors with a higher level of risk appetite are now going back into public securities.

Nader Salman: You touched on two things, price of oil and volatility. As a group we are currently more focused on a private equity approach, so let me comment from my perspective on oil as it relates to emerging markets and the GCC.

Similar to my esteemed colleagues, I am in no position to make a call on the future price of oil but can say that it will impact certain countries in different ways. More specifically, here in the GCC it is safe to say that Saudi Arabia, Oman and Bahrain run a different risk than the UAE and Qatar when coping with declining crude prices.

I think as a group, we are well positioned to cope with low oil prices through our India focused private equity fund and the recently launched GCC Pre-IPO fund which capitalizes on the private to public non oil-related growth in the UAE and Qatar.

Evolvence Asset Management has a strong India-focused private equity arm and extensive IPO and Pre-IPO investment experience going back a decade or more. Despite the correlation between U.S. dollar and potential emerging market risk, the price of oil, being as low as it is, I believe works huge favors for economies such as India which imports nearly 80% of its oil. This takes care of one of the biggest threats to India's growth, which is inflation. So in terms of an investment play, we are bullish on Indian private equity, which is further supported by the now new government and other such factors.



Together with the increases of volatility recently, we have also seen an interesting trend towards IPOs. Evolvence's CEO was part of conceptualization of Marka, the first IPO post-crisis, and only public company listed on the DFM giving access to sector in the UAE and GCC. This is a great example of how investors have been able to capitalize on the private to public transactions in non-oil related sectors.

We find that going forward these types of IPOs will also represent strong opportunities. The multiples that are being offered in the IPO space have become very attractive to local businesses and local families now to go public. This, together with a more friendly regulatory framework that further encourages IPOs, will definitely pave the way to more IPOs, so we feel we are ideally positioned to take advantage of that.

Renaud Huck: Our exchange has a local presence on the ground, so we do explore Dubai and the other Emirates. Of course, there is quite a lot of work to be done. Establishing a franchise for a recognized exchange like Eurex takes time, as we need to reach out to the local players, whether it be on the buy side and on the sell side.



But nevertheless, thanks to the work that has already been undertaken, we have a good sense on the direction that we should take. In terms of products, for example on the equity index side, we can see a need for new frontier markets or emerging markets indices and this is an area where we have a sound expertise and knowledge in.

As Dr. Ahmed said, it is evident that on the Shariah compliance side, there are also a lot of things that exchanges could do and they could play a bigger role. It is true that sukuk and futures on sukuk have always been an ambition for many exchanges to address for their Shariah compliant client base and this is definitely something that an exchange like Eurex should think about and it is precisely our positioning in the area.

Renaud Hauck

Locally, back in Europe, our positioning has also been focused around the current and ongoing changes to the regulatory landscape. The European regulators, ESMA, have introduced a European regulation called EMIR and as an exchange we have worked diligently in order to become compli–ant with this regulation. It does however create an opportunity to serve client needs and list new financial products.

In this context you would certainly have heard the phrase – the futurization of the industry – whereby products that yesterday were very OTC–driven are going to be brought within the ex–change listed environment. For example, swap futures and repo futures are both products, which we have focused on launching at Eurex for this very reason.

Fred Tabbal: We are a leading service provider in the region and we have seen significant interests in investment funds. I have yet to come across a single investment fund here that did not launch successfully, so that leads me to believe that there is abundant liquidity in the region.

Another observation is that, having been in the region for close to eight years, I am not seeing the behavior from the old days where investors would shuffle their wealth to overseas markets and look for a home there. A lot of assets are staying here, funding local projects; infrastructure, healthcare, education, and real estate. It would be extremely difficult to explain the boom in the real estate sector if that was not a key factor in driving it.

And the other thing that we should not ignore is really what's going on around the region, where some of our neighboring countries view the UAE, Qatar, even Saudi as safe havens. A lot of capital was redeployed from the problematic countries that are experiencing or experienced unstable conditions or unrest to the countries I mentioned, so UAE, Qatar and Saudi Arabia.

If you look at our business, we have on-boarded a record number of funds this year comprised of real estate, private equity, and single manager and hedge funds. Some of those funds are conversions from other service providers, but many are in fact new funds. This trend is broad based and gives me the confidence that it will continue, and in fact we have sufficient visibility that this is going to continue in 2015 and beyond which prompted us to continue to expand and invest in our business.



The oil price we discussed earlier is a concern. I think it will have an impact on liquidity. We are again seeing a number of government–sponsored mega projects announced, and less revenues from oil may curb liquidity This is a concern of mine.

Whether oil price is going to continue to drift down or not, I am not the expert on that, but $80 is even concerning to U.S. officials. Obviously there is a lot of new supply coming out of the U.S. market and that could be also affecting the global price, but time will tell whether things will stabilize or continue to drift down. Any way you look at it, it has a direct impact on the region here.

Phillip Sacks: We are also seeing a very large number of new investment funds being established. My team is currently working on over 20 new investment funds, approximately 50% of which are real estate focused. The other 50% of the funds are a mixture of private equity, venture capital, credit and hedge funds.

We have established five or six open-ended mutual funds in the past 12 months, which are a mixture of long-only and long-short strategies. Credit and mezzanine funds are still popular due to the difficulty for SMEs to obtain lending in the region.



We have seen a shift slowly back towards blind-pool funds. For the last few years a lot of real estate and private equity funds have been single asset funds because, from our experience, a lot of investors in the region had a bad experience with blind-pool funds during the global financial crisis, and as a consequence, they wanted an opportunity to conduct their own due diligence on the underlying asset.

A good example is the PE fund which we established for NBK Capital. The target size of the fund was US $300 million and it was oversubscribed. Regional investors are trusting managers with solid track records.

We have recently been instructed to form a new REIT which will be listed on a local exchange. Listing funds is a new development in the region that should create a more rounded and stable funds industry in the region.

We foresee that the string growth in the investment funds industry will continue over the next 12 months.

Matthias Knab I remember that in last year's Gulf Roundtable that we held in Abu Dhabi, we also discussed the investors' current preference for income producing investments. Let's further examine investor preferences for a moment – what is in demand?

Fred Tabbal: Investors are still looking for an income component, so real estate is one of the key asset classes that comes to mind. The REIT Philip referred to is a client, and it's nothing but a success story in terms of attracting capital from institutional investors. The IPO was overly subscribed, and I think there will be more to come, as Phillip said.

We are not seeing capital fly overseas like the old days, as I said earlier, and to an extent there is lack of trust in Western managers. Maybe not at the SWFs, but for second tier of investors, the suitcase banking model doesn't really work anymore. In the old days managers used to fly here, fill out the subscription documents and go back with a 20 million or 30 million ticket. Those days are long gone. The focus now is on regional, well-established managers.

These are firms like NBK, or Arqaam and QInvest we have present here, and there are others that are also very well-established, with a long track record and a good reputation. Those managers are very successful in raising capital from within the region. But the most interesting thing that we shouldn't forget is that they are also actually succeeding in attracting foreign capital into the region here as well.



The UAE and Qatar are now emerging markets, so by default global managers have to allocate to the region, so that is one factor. But on top, the region is also attractive for other reasons like young population, demographics, liquidity and the growth we see across the board.

We mentioned NBK, their second private equity fund was oversubscribed. Investor demand is extremely high, people even call after the first closing and ask, "can we still come in?". It is very re-assuring that regional wealth is funding for growth and ultimately supporting regional job creation initiatives.

Education, healthcare, and infrastructure are among the sectors that come to my mind that get a lot of interest from the investor side and I don't see that changing in the near future.

Dr. Ataf Ahmed: We are also in an expansion phase, and by the end of this year we will be doing a few things we haven't done before.



Firstly, as I mentioned earlier, we are looking at opportunities in Europe. Partnering with a major leading European asset management group is a possibility. Right now, it is just a question of waiting until we see the right entry point and the right opportunity and that could be sooner rather than later.

In our home markets, our group has also been using managed accounts to give clients access to Qatar. We are looking at launching mutual funds for clients from within and also outside of Qatar.

We are also looking to go into the real estate space again through fund structures. We have a very successful real estate team that set up a number of very interesting projects in the past which have done well for clients, and they are actively exploring opportunities.

Dr Amin El Kholy: Our target clients number in the hundreds rather than the thousands as we are purely focused institutions, family offices and high-net-worth clients, both internationally and regionally. So perhaps I can contribute a few snippets of information to the broad view.



Let me start with our most recent fund that was launched in December which emphasized dividend paying and dividend growing stocks. The approach is not to look for historical dividend payouts, but rather assessing future dividend-paying and growing ability based on highly detailed fundamental analysis. The fund offers a share class which distributes all profits and dividends at the end of each quarter, if there are any. That has been by far the more popular share-class within the fund.

I know that our investors are not actually dependent on the income generated every quarter; rather they like the comfort of knowing that the underlying investments are generating enough cash to pay out dividends, and that we as fund managers are quite happy to identify and pass on those profits at the end of each quarter for them.

Let me also go back for a moment to the theme of UAE and Qatar being included in the emerging markets indices. Of course, the Middle East, North Africa and the GCC markets are emerging and frontier markets, both in terms of official classification and in terms of how investors tend to look at them. They are not by any stretch of the imagination developed-markets, which means that they go through their own liquidity cycles. Every time such a cycle brings new elements to the equation, and what has happened now through the inclusion of UAE and Qatar is that the nature of how the markets trade has changed.

Let me explain what I mean. Institutional investors now participating in both markets have identified companies they clearly consider to be of the right quality. When the markets faced some turbulence last June, those stocks found a solid bid at lower prices. You could almost predict that bids would be there, because t investors see the valuations and are interested in quality stocks at the right levels.

Other stocks, which were mainly driven by retail, had a much bigger drop, because they didn't have that institutional demand and the volatility for them remained high. You can see those dynamics spreading over to a market like Saudi Arabia although it isn't yet included in any indices. A more institutionally driven equity market favors professional money managers rather than clients seeking to manage their own portfolios along the lines of a retail investor.

Renaud Huck: Eurex launched a suite of MSCI benchmark indices last year, which included MSCI World, Europe, EM, and a suite of single country indices. We are starting to gain momentum on the broad indices, so Europe and World, but we are also seeing substantial interest from end investors and institutional investors for a liquid EM index product too.



It is true that, as Amin mentioned, there is appetite from a lot of investors to have an exposure to EM, through the single stock market but also through equity indices products, whether they be ETF or traditional index futures.

Consequently, this is a sector in which we have been working with and gathering information from the buy-side industry in particular in order to offer liquid products. It takes time to do this, but I think that the findings that we have seen so far show that there is willingness for people to have access to this liquidity and to use such exchange listed products. Investors in general have a good understanding of the value and the merit of exchange listed instruments whereby through the end of day marking they get reliable daily and transparent information about the NAV they are holding. This is an important aspect for these instruments which definitely ticks a key box for those investors since asset management and alternative investment structures aim to offer their investors appropriate levels of transparency.

Nader Salman: In my view, the markets post-crisis is really a story about risk appetite. First people were into investment grade fixed income, definitely resonating the demand for yields. This demand brought fixed income yields down, prices up, so investors moved to high yield, and then eventually into equity. You could say that risk appetite has been chasing more and more returns.



From my perspective, I have been seeing that investors are willing to consider more innovative and complex structures to get attractive fixed income type of returns. For example, in Evolvence's education business, they own significant real estate assets. My team was behind working with a group of Saudi investors to create value through sale and leaseback transactions on their education real estate assets.

Some investors that had once only invested in funds for the first time took the time to sit down with us, understand the risks, and customize a structure needed to get the types of yields they were looking.

In summary, there still is clear demand for yield, that won't go away, but the amount of risk and willingness to take it to get the yield has been increasing.

Matthias Knab Who of you is working on new products, new services, new approaches?

Fred Tabbal: I actually made a list of the different categories of some of the new funds that come to my mind, which are quite unique and diversified. The list includes funds that are active in commodities, trade finance, there is a film fund that will basically fund the development of a movie by lending to the sponsors of the movie through several SPVs at an agreed interest rate, which will flow ultimately to the investors. So that is an income fund as well.

There is a Saudi fund that caters to the SME sector with the ultimate objective being job creation. That fund is sponsored by a very big institutional investor. Mezzanine funds continues to be in favor, there is an aircraft financing fund that lends to airlines like Emirates or FlyDubai, helping them to acquire and lease aircrafts. And then there are infrastructure funds where we are working with several key players in the region, Arqaam being one of them.



This gives you an idea about the dynamics and the diversity of funds we are seeing now and in the pipeline for next year. All these are quite exciting new products and unique in the sense that, except for maybe MBK on the mezzanine side, we have never really seen those type of fund set up and operate from here in the past.



Nader Salman: I had earlier touched on opportunities around IPOs, so let me add that we strongly believe we will see a strong trend towards IPOs here in the region and specially in non-oil related sectors within the MSCI emerging market constituents the UAE and Qatar. To participate in those, we have created a GCC Pre-IPO Fund. This is not your typical IPO fund as the fund's main objective is to capitalize on private to public transactions by investing in pre-IPO founder shares.

Dr. Ataf Ahmed: We are also in an expansion phase, and by the end of this year we will be doing a few things we haven't done before.

Firstly, as I mentioned earlier, we are in the process of launching out a new European fund. We have had that fund in the pipeline for a while. For this fund we have partnered with a major leading European asset management group which will actually do the investment there. Right now, it is just a question of waiting until we see the right entry point, and that seems to be coming up very soon.

In our home markets, our group has also been using managed accounts to give clients access to Qatar. In addition, we are in the process of launching mutual funds to clients from within and also outside of Qatar, including some global investors who have expressed some interest to get in.

Within our group, we are also looking to go into the real estate space again through fund structures. We have a very successful real estate team that set up a number of very interesting projects in the past which have done well for clients, and they are now working on some new fund structures.





Phillip Sacks: There has been an increase in appetite from foreign investors to invest in funds that are managed by regional managers and that are focusing on assets in the region. For example, we have set up a number of feeder funds for U.S. and European investors.

Very recently we saw a European fund invest $100 million into a locally managed hedge fund which was set up this year by a small group of young European managers that are now based in the region.

Matthias Knab Ataf, please share with us some of the recent developments in Islamic Finance?

Dr. Ataf Ahmed: In the past years, a number of developments took place within Islamic Finance, particularly in the sukuk space. This is an asset class with a very large supply and demand imbalance.

Sukuk went from being a type of an ABS security that you would rarely find outside of Malaysia or Indonesia to a major asset class that an increasing number of financial institutions are looking to get exposure to.

A big development over the last two quarters was the issuance of sukuks from Non-Islamic countries. We have seen a U.K. Government issue, a South African Government issue, a Hong Kong Government issue and a forthcoming Luxembourg Government issue. These are all major steps to giving the asset class as a whole increasing credibility.

While just five years ago I would have said sukuks were very rigidly focused towards the GCC and Southeast Asia, it has now become much more appealing globally. I come across an increasing number of people buying into sukuk paper from the conventional asset class space. We always had enough demand from investors that would classify themselves as purely Shariah compliant to make that particular structure work, and now, on top of that, we are seeing this hugely exciting pick up and interest from the conventional space.



This is incredibly beneficial for Islamic finance as a whole, because it gives additional credibility. When you see respected governments coming on board and more of the larger firms getting involved, both in terms of supply and also in terms of demand, you see the industry as a whole move away from being a niche type of service you would find only within a few MENA countries and certain pockets from around the world, to an industry that is taken far more seriously.

Across the industry we are seeing an increase in non-Shariah investors across a range of products and investments. The types of non-Muslim investors looking at Shariah products can be broadly broken down into two groups. The first group are investors that are attracted to the ethical and social characteristics of the assets Shariah funds invest in; those investors for which Environmental, Social and Governance (ESG) factors are an important investment criterion. The second group of investors look to Shariah funds to diversify their portfolios away from certain assets that are more prominent within conventional funds and are seen as being more susceptible to economic volatility. The important thing to remember is that a well-managed Shariah fund can perform just as well and if not, actually better than a conventional peer.

I look towards next week's World Islamic Economic Forum here in Dubai. A wide range of people will be taking this as a reason to attend and travel to the region. The WIEF has been running for more than a decade, but in the last three or four years it has become far more prominent and a lot more people are taking an interest.

However, a number of challenges still remain. The biggest one is that it is still hard to find a common definition of Shariah that everyone will buy into. We are seeing bodies like AAOIFI which is based in Bahrain that an increasing number of institutions accept as their basic standard, and over time we are finding a convergence in definition.

Fred Tabbal: We service over $2 billion in assets that are compliant with Shariah, and they are based on the AAOIFI standards, so we see this trend and the growth continuing. Our firm made a conscious decision to invest in our infrastructure and tweak our reporting to make sure that it adheres to the Shariah standards, and investors and managers welcome that.



Renaud Huck I totally agree with your comments about the growth of Islamic Finance. We as a group which looks at structuring instruments are also committed to think and look out–of–the–box beyond the traditional investment vehicles for other structures that the trading community may want to have access to.

Renaud Huck: Sukuk do present a very interesting set of products, but equally challenges because, as Ataf mentioned, there isn't always the necessary uniformity behind it. Depending on which board of clerics you approach to validate a product, you can often receive different interpretations. Sometimes the devil is in fact in the detail, but certainly we as an exchange see Islamic Finance as an interesting forthcoming avenue, but we are acutely aware that it will definitely require some work.



Dr. Ataf Ahmed: Another relevant structural change is that Islamic Finance evolved from an industry in the past has predominantly serviced a retail type of client base to now also servicing institutional clients. That is why we see the pickup in supply from institutional investors, with even more institutions filing for new issuances.

We have come a tremendous way in the last couple of decades – from a place where the industry was build around people that were very religious and had decided to avoid a few sectors in their investments to a flourishing industry where broader standards, like AAOIFI, and a greater number of professionals are working.

Of course, as we said, the sector is still evolving, and there are still challenges. But the growth potential is impressive, and that includes Takaful, the insurance space.

I think the sector has a very bright future. If I look around in terms of growth prospects, Shariah finance versus conventional, I will say that there is still a substantial number of people out there that are still sitting on the sidelines and will come in at some point. It's a question on them getting the right degree of confidence, maybe the right level of variety, and the right level of quality.

Dr Amin El Kholy: Dr. Ataf mentioned something very important, the shift from retail to institutional. The question that occurred to me in discussing this issue a while back was - where is growth coming from in the institutional client base beyond financial institutions who ultimately sell them on to retail clients?



Takaful and Re-Takaful, companies are one source but they are still driven by client demand for Islamic insurance. When you look at, for example, sovereign wealth funds or large governmental institutions, they are outside that scope with a few exceptions like the Islamic Development Bank. I'm just interested to hear from you where else this growth could come from?

On the same subject, Qatar took a step forward by saying, "conventional banks will no longer have an Islamic window," because until then assets gathered from Islamic investors found their ways to conventional banks' balance sheets. This change should increase demand for Islamic products. What are the chances of this approach being taken in other countries?

Dr. Ataf Ahmed: Well, there are a couple of points there. First, looking at growth, what are the types of institutions that will enter this space? Natural candidates to enter the Islamic space are, as you mentioned, Takaful, Re-Takaful and Islamic banks, which are growing strongly.

That sort of ties with the second question of "how do people go about it?" Here, you'll probably see more and more conventional banks setting up Islamic subsidiaries, rather than just maybe having an Islamic window as we have found it in the past.

With respect to sovereigns, I don't necessarily see much evidence within the region that the sovereigns have an active mandate to go into Shariah. We do hear that certain sovereigns, when they give capital to managers, they actually ask them to deploy the capital in a manner that will be fairly consistent with a Sharia compliant mandate. That means they screen a manager and his track record according to their conventional process, but when it's time to go live, they will give them a managed account, and say, "please exclude the following sectors..."



So unlike a Shariah fund or a Shariah managed account where you would find a fatwa together with certain prohibitions on the levels of interest, of debt and leverage, as well as to the activity, those investors are showing an interest but have not gone for a fully compliant investment.

When you ask me where I see the real catalysts coming from, I would point to Malaysia. There was a big shift within Malaysia as a whole when the EPF, the multi-billion compulsory retirement and savings plan for private sector workers, announced a couple of years ago that almost 50% of their asset base will move to being purely Shariah compliant. That is a huge signal of what else may be coming into the sector.

Hence I do think we will as a next step see more interest from pension funds - from this region and globally. If I want to analyze how this would further grow, we could look at similar developments around ESG and SRI investments in the West. They started off as niche investments that began as endowment policies from groups like the Catholic Church back in the '70s, where they asked management groups of funds to take a more ethical approach. Then it grew through other larger pensions and endowments that became aware that a portion of their investors or beneficiaries want to know that their capital is being deployed in an ethical way. They instituted those policies, which brought volume, critical mass, and that brought acceptance.

If we look at Islamic Finance, we may see something similar. I know of a couple of sovereigns that have told me anecdotally that they had pressure upon them to increase their exposure to that space, but none of them publicly want to say that they are going in that direction. But some of the pensions and endowments certainly do that.

Regarding your other question whether we see the same degree of separation in the region about Shariah versus non-Shariah, I don't think so. You are right that Qatar took the lead, but it has been a few years already and no one else followed suit, yet. But I have seen more conventional groups that in the past may have just had an Islamic window to their services have actually set up a completely parallel series of operations, maybe in anticipation that they might be asked one day to formally split out the Shariah from non-Shariah.



Phillip Sacks: We have set up a number of funds that I would categorize as Shariah-friendly but not necessarily strictly Shariah-compliant in the sense that the fund did not engage Shariah advsiors and did obtain a fatwa. But such funds have been set up such that it is possible to appoint Shariah advisors and obtain a fatwa if and when required by a large investor. Interestingly, managers with little or no Islamic finance experience have been doing this successfully.

Dr. Amin El Kholy: This is actually a very interesting and important point. I am not entirely sure that an asset manager, or a separate part of it, should be an Islamic Finance specialist when they want to enter that product niche. At the end of the day, we focus on investments, and an Islamic mandate from an investment point of view just has a different investment universe but the manager still needs to focus on excellence in managing assets.

Clearly some measures need to be taken to ensure compliance, and I think what may help most in terms of product creation is to reduce the complexity of that compliance process for asset managers. We talked about Malaysia which is a good example. There, you have a clear set of standards, and that means someone who wants to offer a product and wants to comply has far less overhead as the process has been smoothed by the policy makers to make it easier to offer Islamic products.

So, as Philip mentioned with the concept of Shariah-friendly set ups, for managers it will certainly be helpful if the service providers can unbundle the different aspects and make life easier for asset managers in relation to compliance. As an investment manager, I am quite happy to run money according to any guideline that clients want, and in some cases Shariah-compliant mandates have fewer guidelines that some of the other, more restricted mandates I have seen. All that is required is an efficient way for the investment universe to be screened and communicated to the asset manager.



I think QInvest has gone down that road and set up a platform to provide the structures and support to help managers launch Sharia compliant products, and ease the compliance burden. Initiatives and solutions like that will also help improve the supply of different products.

Matthias Knab Can you elaborate more about your platform?

Dr. Ataf Ahmed: **When I first came to the region four years ago and I was asked to deploy capital domestically for some of our investors, aA number of them wanted to go to multi-manager or fund-to-funds type of structures, and this is something I had done for quite a while at UBS before I moved to the Gulf.**

What we had found was a dearth of quality in terms of the type of vehicles, managers and structures that we were looking for. We saw practices that would be anathema for Western Institutions that were still very much prevalent in the industry here. If you'd go to any of the bigger groups within Europe, the U.S. or in Singapore, Hong Kong and ask them to put money into a self-administered fund, that is self-custodied with a small group, and maybe with a risky balance sheet, they would stare at you and ask you "Are you still offering that?" Yet, within this region, that wasn't the exception, it was the norm.

Our assessment was that there were lots of groups that shared our views. There were also a lot of high caliber institutions from outside who are interested in potentially offering Sharia products but don't want to go through the spend that comes with setting up a structure without being certain they could raise the assets.

The opportunity at QInvest was that as an Islamic Bank, being Shariah-compliant is part of our DNA. Our idea was to utilize the existing processes and systems and come up with a way that we could work with groups from the conventional fund space and enable them to manage fully Shariah compliant investment.



So, if you look at the QInvest asset management product offering, we have certain strategies and portfolios of funds we manage ourselves in markets where we believe we have an expertise and an edge. Specifically we do it in Qatar, certain parts of GCC and in sukuk.

We have other products where we have partnered with leading asset managers from the conventional space, that have a good team, a good track record and know what they are doing, so we can work with them. We will come up with structures that will let them access the Shariah space; we'll also do the Shariah controls. This works very well as we effectively take the headache away.

We built that solution as a core platform that we named QMAP. It is very, very successful. The platform allowed ourselves to offer our client base access to different markets and different spaces. Otherwise, we would have needed a much bigger team and have a much larger operation to offer the same sort of service.

Matthias Knab I can remember getting your press release about QMAP just about two months back or so.

Dr. Ataf Ahmed: **It's actually been running for about two years. We wanted to make sure that it was working effectively before we started to publicize it.**

The clients of QMAP are predominantly still GCC-focused, but we also find there are more-and-more groups becoming interested. So, at the moment, our core client base comes from our own shareholders. QInvest is a privately held

investment group. Our biggest shareholder is QIB, the Qatar Islamic Bank, which owns 51%. Apart from QIB we have about 900 shareholders, mostly high-net-worth individuals, families, or institutions from around the region.



We target our own shareholder base, and we also help QIB to service their shareholder base. We are in discussions with a number of counterparts in this region and also global institutions to set up distribution agreements with them and also provide them access to our platform.

We are in a good position in the sense that there are more managers interested in working with us than we have the bandwidth for. That means we can be selective about strategies we believe that make sense in terms of market timing and positive performance, which will ultimately lead to client interest.

Dr. Ataf Ahmed If I may, let me express a question to the other participants of the Roundtable. As you know, everyone in Qatar has been very excited about the FIFA World Cup in 2022. Dubai has experienced a similar sort of catalyst with the World Expo in 2020. As some of you are based here, I was wondering if you have actually seen any difference in terms of activities here as a result of the expo, or it is still too early?

Dr. Amin El Kholy: I think in markets at this early stage of development, catalysts and triggers tend to have a bigger impact than they would elsewhere. I don't think in any of the developed markets, whether it's the Olympics or the World Cup, there is a significant impact on equity markets. In the case of the Expo 2020, Izmir was a bidder, but none of our Turkish brokers had even heard of the Expo. Turkey is still an emerging market, but the economy is significantly bigger as is the equity market, which explains the difference in attitude.

For Dubai there was definitely a boost for a certain period, but given the overall investment plans that were already in place, the Expo will have more of incremental effect, rather than a transformative one. It certainly contributed to some hype in the real estate market. Everybody was already over-hyping properties in the run-up and after the Expo was awarded to Dubai, sellers wanted to raise prices again. In fact the market actually cooled off over the following two months as transaction volumes fell due to the high offer prices.



So in Dubai, I think it was more a psychological trigger rather than an economic one. Given the state of the equity markets – because they had lagged so much and there was so much catch up as a result of their recovery from the Dubai crisis – it helped give the market an extra boost.

In the case of Qatar, certainly, there will be a significant investment with a bigger impact given the nature of the event and the existing size of the non-oil economy relative to Dubai. I think the question that comes to mind, given the history of such events, is about the sustainability of any economic boom. Does it create problems of overcapacity in the long term, particularly given the demographics and the structural economic issues alluded to earlier. It is true that Qatar's hydro-carbon endowment is vast and that, even at significantly lower oil prices, it can increase spending and still continue to accumulate surpluses. However, that still leaves open the question, even with a 20 year perspective, "How else could that investment have been directed?"

Nader Salman: I agree with most of that. A lot of the speculation and hype related to the expo has come through the residential real estate market, however the growth of the commercial real state has lagged significantly behind. So in my opinion is its still too early to say we have seen major business impact from the Expo 2020.



Don't forget that the Dubai growth story is a spectacular one, and those who are able to capitalize on it will be handsomely rewarded. For example, Dubai's airport has now become the busiest in the world opening the door for a booming retail sector and making Dubai a trading and logistical hub for the emerging markets.

I think the long term growth story for Dubai is solid and intact. My concern is more related to speculators and what happens to markets when the Expo does actually happen? There is a saying in trading, "Buy on the rumor and sell on the news." Though short term, that is probably in my view the biggest risk that you have to watch out for when Expo does come about.

Dr. Amin El Kholy: Can we discuss regulations for a moment? The regulatory landscape has been changing globally, and also here in the Gulf. Regulations in terms of placement and distribution of financial products have been introduced in a number of countries in different ways. The picture is still unclear in some cases as regulations are updated and revised but of course there will be an impact in terms of how business is conducted. As I mentioned earlier, Arqaam is institutionally focused, so adapting to the new regulatory regime will be easier for us than for others who target retail investors, for example



The trend is beyond just financial products. Labour markets are going through their own reforms - Saudi Arabia has introduced regulation regarding the percentage of local population employed in a firm depending on the sector. From our perspective as investors it has an interesting impact on listed companies and their costs, as well as consumer spending habits as the measures are designed to get more Saudi nationals into the work-force.

On the other hand some much needed regulatory reforms are lagging. We mentioned IPOs earlier. Most recently the Emaar Malls IPO took place in Dubai and was considered by many standards a successful one. But the elephant in the room that nobody talks about is that this highly successful IPO actually had to be granted several exceptions to the listing rules. The normal process of listing companies in UAE is not really up to the standard you would expect with MSCI index inclusion. The need for reform of the listing regulations has been highlighted for at least a decade but the rules have not yet changed. In general regulations of the capital markets themselves can do with more of a boost.

Dr. Amin El Kholy I am sure everybody around the table has their own perspective about regulations and what they mean for them, but it must be a topic on everyone's mind.

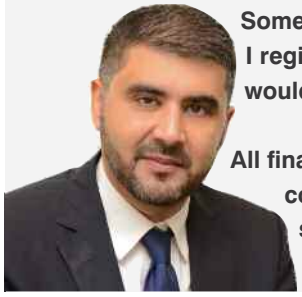
Renaud Huck: I have to agree with you, and my comments would be on two levels. The first one relates to the U.S., where the big elephant in the room is called Dodd-Frank. In Europe we have a similar big elephant called EMIR (European Market Infrastructure Regulation). In the meantime, we have also seen the Far-East taking action, Japan has been mandating interest rate swaps and we see other local regulators; Hong Kong and Singapore looking at fixed income mandatory regulation.



In comparison – and this would be my second comment – the Middle East seems to be nowhere in respect to these developments. Some of the local markets are not as open as other ones. Perhaps one could say that UAE and Qatar are more open markets than the Arabic Peninsula but nevertheless, once the markets have opened further these too will have to take a stance and make a decision similarly to the other regulators, as to which asset classes they choose to mandate, whether it be fixed income, equity or FX.

What we see is a market and a regulatory landscape soon to be determined by regulators. The fact of the matter is that regulators want to have the upper hand on financial markets and while right now developing a larger regulatory framework may not be a top priority here, it may soon be.

Dr. Ataf Ahmed: Amin is right, also on my side the increasing regulation is keeping myself and others in my firm very busy right now. That includes Dodd-Frank, FATCA coming on board, and the U.K. coming up with their version of FATCA, together with the high probability that more-and-more other governments may be coming up with their own versions of this.



Sometimes I think it would be nice if we had a passporting service akin to UCITS, which means that if I registered a fund in one country, it would allow me to also market it around the rest of the Gulf. That would make life much easier, and I see many of you are nodding heads.

All financial markets firms will have to commit more time, resource and overhead to regulations and compliance and while there is no way out or around that, it would great if this could be streamlined.

Phillip Sacks There has been a lot of new investment funds regulation introduced in the region. Most of the new regulation has been positive although the regulations are still somewhat unsophisticated and there are still gaps that need to be filled. I would certainly like to see some form of uniformity between the GCC states. It's very difficult at the moment with so many different jurisdictions. Even within states such Dubai there is a large number of free–zones, each with their own regulations.

Fred Tabbal: We are seeing an avalanche of new regulations sweeping the industry we are in. It is very costly, but I doubt it is also effective.

I agree with everyone around the table. We have a dedicated FATCA team that sits in Cayman. These are people that we have to pay, they require infrastructure, technology, processes, work flows, and at the same time we have to speak to our clients and explain to them why we are charging for this. In the Middle East, that is in fact a completely different discussion because you have to start with explaining what FATCA is and why every Cayman fund or every investment fund is subjected to FATCA.

But there are also certain reforms that are taking place in the region here. The CMA in Saudi Arabia just recently announced that they basically plan to take down foreign direct investment barriers early next year, and that they will allow certain foreign institutional investors to acquire stakes in publicly traded securities.

This is being viewed as a game-changer. Saudi is the largest economy in the region, and I think it's going to go on the radar of a lot of institutional global investors. So we see that as an opportunity. And these reforms are extremely encouraging and we shouldn't forget that last year they even changed their working week, and now they are syncing with the rest of the GCC. So these are very encouraging signs, and we're going to hopefully see more of these reforms in the region.

In the DIFC here, we saw the recent announcement of the launch of the QIF fund regime, which is really a regulation light fund structure. There's a lot of excitement and a lot if interest in it, but in my personal view, without the proper human capital and infrastructure to support it, it will never be successful. And they are trying to compete with the more established jurisdictions like Cayman or BVI - but without this component, which is really a critical component, they will not succeed and get into this new regime off the ground.



Having said that, we are seeing a lot more interest in the DIFC as a domicile, we have a healthy pipeline of funds in the making. But for every DIFC fund, we see nine Cayman funds being launched successfully. Those funds are well-tested, globally recognized and cost-efficient, and these are three boxes that investors like to tick. So the decision continues to be instant when we present both, and we have no preference but they go with Cayman unless they have specific reasons to go with a DIFC structure..

Dr. Ataf Ahmed Where is the DIFC structure recognized? I don't think it is even recognized in Abu Dhabi, so it is still not recognized across the UAE. It is hard enough to launch a fund and seek authorization from your domestic regulator, let alone anywhere else.



Phillip Sacks: Interestingly, most of the authorities in the GCC, including Saudi Arabia, will recognize DIFC entities as a GCC entity for the purposes of foreign ownership and tax, but Abu Dhabi generally will not. Perhaps this is because Abu Dhabi is currently creating their own financial centre which is likely to have its own asset management and funds regime.

There is an increased interest in setting up DIFC funds and structures at present. However, the DIFC is still a long way behind the curve and there has only been a very small number of investment funds domiciled in the DIFC. A large majority of the investment funds that are established by regional sponsors and managers are domiciled in the Cayman Islands. Given that most of the investment funds are private funds targeting high-net-worth individuals, family offices and institutions there is not a great need in the region for highly regulated funds.

Dr. Amin El Kholy How many Cayman open–ended funds are managed from the UAE?

Philip Sacks The DIFC has been very successful in attracting asset managers but has not been successful as a domicile for investment funds.

Matthias Knab What about European UCITS or AIFs (Alternative Investment Funds)?

Dr. Ataf Ahmed: QInvest recently acquired an asset management subsidiary of QIB (UK) and we moved their asset management businesses over to my unit. That has been a very good move as it boosted capabilities and it increased the assets we are managing.

As a result of that acquisition we inherited a series Luxembourg funds. That means we can now offer Luxembourg and Cayman structures. We also have managed accounts that are on our own balance sheet, so we can offer a number of different setups. But, when I speak to potential investors, I am yet to meet one who gets overly emotive about whether it's Cayman, or Luxembourg, or Jersey, or Isle of Man, or Malta, or Mauritius, and we could just keep going down that list.

In reality, around the world the first thing they ask for is, are you guys at QInvest directly involved with this product? They want to see that we are involved in the process. The second thing they are typically interested in, right when I start to consult with them, is if there is an independent administrator, an independent custodian, or if for our managed accounts, a sub-custodian is involved. Those are the points that give them a certain degree of assurance.



Earlier I had talked a bit about the state of the industry when I came first here with structures that still were self-custodied and self-administered, but at least when you hear the words Luxembourg or Cayman, that does give you some assurance that there might be a clean setup with the appropriate independent service providers involved.

So, my point here is that you need to show to your prospective investors that you have a process that involves multiple parties and not just one entity that potentially can manipulate the positions of their portfolios, and give them security just by showing you have the right safeguards in place. Once that has been made clear, the level of interest in whether the fund is Luxembourg domiciled or is UCITS and so on, is fairly minimal in my personal experience. Once in a while, I'll come across a very sophisticated investor that will talk to me for a while about all those different aspects, but the minute I tell them about the cost, they will usually resort to the cheapest.

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