

# **The Gateway to International Islamic Investing**

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## **1. Seeking New Opportunities in Islamic Investing**

Over the past ten years, investors have sought quantitative equity strategies to enhance their returns and diversify their portfolios. However, Islamic investors were limited in their choices and were unable to take advantage of these new opportunities. The challenge was to find a diversified quantitative equity strategy that can achieve above market returns without compromising on Islamic principles. In 2003 a solution was made available by The National Commercial Bank and Deutsche Bank when they proudly introduced the Islamic EquityBuilder Certificates<sup>TM</sup>, one of the first Islamic products that uses a quantitative strategy to provide diversification, transparency, liquidity and flexibility.

### **1.1 Powerful Partnerships, with Character and Judgement**

The National Commercial Bank, with its expertise in Islamic investing, and Deutsche Bank, with its years of portfolio product experience, joined forces to provide an unparalleled opportunity for investors. The Islamic EquityBuilder Certificates<sup>TM</sup> are four new Islamic equity products approved by The National Commercial Bank's highly regarded and esteemed Shariah Board. The Certificates enable innovation with attention to performance and respect for values.

### **1.2 A Strategy for Adding Value**

The Islamic EquityBuilder Certificates<sup>TM</sup> reflect the Islamic Equity Builder Portfolios<sup>TM</sup>, which implement a rigorous quantitative model that selects stocks with the most improved earnings outlook. These stocks tend to perform significantly better than those with a weakened earnings outlook. The purpose of the strategy is to identify stocks with a high probability of performing better than the market.

Quantitative portfolio strategies can sometimes add risk. The Islamic Equity-Builder Certificates<sup>TM</sup> offer opportunities for superior returns while maintaining a reasonable risk profile, in full conformity with Shariah principles.

## **2. Innovation, Performance, and Principles**

### **2.1 Building a Portfolio**

Investors can use the four Islamic EquityBuilder Certificates<sup>TM</sup> as portfolio building blocks. Three of the Certificates invest in geographic regions – Europe, Asia Pacific and the United States. The fourth, the Global Certificate, is a combination of the three regional Certificates. Investors can choose either a single region or a combination of regions on an ongoing basis to create and manage a tailored equity portfolio.

### **2.2 Monitoring for Shariah Compliance**

The National Commercial Bank's highly regarded and esteemed Shariah Board approved the product for Shariah compliance. The National Commercial Bank monitors the product for compliance on a quarterly basis.

### **2.3 Quantitative, Transparent Portfolio Strategy**

The Islamic EquityBuilder Portfolios<sup>TM</sup>, developed by Deutsche Bank's quantitative structured products team, are clearly defined and objective. The process for selecting the stocks in the Portfolios is fully disclosed and freely available.

### **2.4 Superior Performance**

The Islamic EquityBuilder Portfolios<sup>TM</sup> have shown good performance since inception on 31 January 2003, with the worst performance (being Europe) delivering a return to investors after fees of 17.3 % and the best performance (from Asia Pacific) delivering a return of 47.2 % (see Table below).

### **2.5 Quarterly Rebalancing**

The Portfolios are rebalanced and re-weighted on a quarterly basis, ensuring that they remain fully invested in equities at all times. There is no charge to the Certificate holder for this turnover and therefore no adverse impact on returns.