

*Innovative Financial  
Products for  
Sophisticated  
Global Investors*

May 2008



**Presentation for  
Leaders in Islamic Finance  
Paul C. Homsy  
May 27, 2008  
Istanbul, Turkey**



## About Crescent

Crescent was formed to provide sophisticated global investors with unique and innovative investment products that:

Provide access to world class co-managers with diversification across geographic regions and asset classes while re-investing a portion of invested capital into the local emerging economies.

Improve on existing financial products such as fund of funds by minimizing flaws inherent in their structure.

Offer attractive returns via both Shari'ah Compliant and Conventional structures.



## About Crescent (Continued)

Crescent is distributing its first fund exclusively in the Middle East, Europe, and in Latin America to institutional and high net worth investors.

The capital raised into the Crescent Fund will be managed by a consortium of leading institutional co-managers in strategies where the managers have long term track records of generating top quartile returns and invest their own proprietary capital.

Crescent Strategic Group initiates and funds US and European corporate joint ventures and strategic opportunities in the Middle East.

Some other products we are creating, an Energy Fund, Tech Transfer Fund, Shari'ah Leasing-Based Fund, and a Principal Protected Fund



## What Investors Look For

1. Access- Giving investors access to a number of special investment opportunities.
2. Diversification- Being able to allocate funds across a variety of asset classes with top quartile managers.
3. Alignment of Interest- Investors like to see that a manager has their own principal capital at risk. Co-investment is a way that this can be carried out.



## Background and Evolution

- Islamic finance has been in development for over the past 1,500 years
- In the 1970's Islamic banking emerged as an alternative form of finance. The first all Islamic banks were introduced in the early 1970's
- Today Islamic finance is widely used and flexible for alternative investments.
- Muslims now can invest in a broad array of asset classes that previously were not halal.
- Islamic finance currently is spreading rapidly across borders, not only in Muslim countries but countries that aren't predominantly Muslim as well (i.e. UK, France, India, etc...).



## A Global Industry

- Shari'ah investing seems to be an un-tapped resource in many regions of the world such as Latin America, South Asia, and East Asia.
- There are many direct investment opportunities in these region as well as in the U.S., the Middle East, and Europe.
- Dislocation in conventional credit markets creates opportunities for Shari'ah investors.
- India represents a significant untapped opportunity with a large, secular Muslim population, high growth rates, and a need for funds to develop infrastructure and sustain corporate growth.



## Building a Comprehensive Range of Shari'ah-Compliant Funds

Goal: To build and create dedicated Shari'ah-compliant funds with specific strategies.

1. Identify whether the funds are in compliance with Islamic law.
2. Evaluate what the demand for the product is.
3. How will the product be structured?
4. Create innovative products, with access to global opportunities.



## Example of an Islamic Product: Aircraft Leasing

- Investment into Aircraft Leasing companies and aircraft leases.
- An Investment such as this would be structured as Ijara and/or Sukuk.
- Growth in the aircraft market can be attributed to the growth in the aviation market.
- Regional aircraft numbers grew by 60% compared to 12% globally (average annual growth). There are 750 commercial aircrafts based in the Middle East and there are 19,000 worldwide.
- The growth in commercial aviation and the entry of new low-cost regional carriers have created the opportunity for Shari'ah-compliant lease finance.
- Satisfies demand for Islamic liquidity products backed by real assets.



## Example of an Islamic Product: Real Estate and Infrastructure

- Creating joint ventures between international project managers, engineers and architectural firms with local builders, is something that can be Shari'ah compliant.
- Booming construction markets in the Middle East has created a demand for top quality large scale project managers and architects.
- Musharaka would be an appropriate way to structure this or something similar.
- Direct investment in US and European real estate is another asset class that can be Shari'ah compliant. This is especially attractive due to the distressed market and attractive valuations.
- Underlying projects can be financed through Sukuk, Istisna, equity, etc...



## Example of an Islamic Product: Oilfield Services

- Structured as Shari'ah compliant debt and/or equity.
- The Arabian Gulf Region is of critical importance to the world's oil supply. It is estimated that the region contributes up to 60% of current production and has approximately 50% of the world's reserves.
- Ideal operating conditions, including shallow water and large fields contribute to low operating costs and the market is expected to continue to have a very important role in the world oil and gas market in the future.
- Depletion of existing oilfields drives the requirement for sophisticated and innovative oilfield service companies.



## Example of an Islamic Product: Venture Capital/ Tech-Transfer

- Venture Capital into tech-transfer opportunities are Shari'ah-compliant due to the early stage of the company and the absence of conventional leverage.
- The process of tech-transfer involves funding of R&D at the University level, and commercializing the technology by licensing or spin-outs.
- **Evaluating the technology** – how big is the market for the company's technology? At what stage is the technology? How close is it to commercialization
- **IP Issues** – Patent Protection and availability to technology from other sources.



## Striving for High Yield in Today's Environment

- Many Shari'ah products can be low risk due to low leverage
- Some of the best performing mutual funds currently are Shari'ah compliant
- Access, Diversification, and Alignment are some of the main drivers that will boost returns.
- The distressed economy also provides good opportunities for high yields.
- First mover advantage, innovation, and identifying special situations
- The value of partnering



## Contact Information

For additional information, please contact:

### **Crescent Partners LLC**

**Paul C. Homsy, CEO**

Telephone – (212) 479-5610

Fax – (212) 479-5607

[phomsy@crescentassetmgt.com](mailto:phomsy@crescentassetmgt.com)

**Dilip N Massand**

**Managing Director**

Telephone – (212) 479-5610

Fax – (212) 479-5607

[dmassand@crescentstrategicgroup.com](mailto:dmassand@crescentstrategicgroup.com)

**Paul (PJ) Homsy**

**Analyst**

Telephone – (212) 479-5610

Fax – (212) 479-5607

[pjhomsy@crescentstrategicgroup.com](mailto:pjhomsy@crescentstrategicgroup.com)