INFRASTRUCTURE SUKUK

SOHAIL JAFFER
DEPUTY CEO, FWU GLOBAL TAKAFUL SOLUTIONS

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Sukuk market slowdown as BNM exits Sukuk as liquidity management instrument

S&P forecast 2015 Sukuk issuances: US$ 60 Bn (revised down from US$ 100 Bn)

Source: S&P Islamic Finance Outlook 2016
PART 1  SUKUK MARKET OVERVIEW

LOCATION OF INVESTORS

Sovereign issuers returned to sukuk market in 2015

GCC sovereigns, falling oil prices have spurred issuances so as to maintain CAPEX investment schedule

Infrastructure finance is a leading reason for sukuk issuances

Investor Locations Weighted by Investment Size

Diversifying the investor base seen as a major reason for sovereign sukuk issuances

31% of sukuk issuances are taken up by the Mature markets of US & Europe

Source: S&P Islamic Finance Outlook 2016
Sukuk offer a viable alternative for infrastructure financing

Link between infrastructure asset’s revenue and Sukuk investor’s return seen as attractive by many investors

Estimated US$ 320 Bn AUM by Infrastructure funds

G20 shortfall in Infrastructure investment

US$ 20 trn
To year 2030

US$ 1.3 trn
Annual Shortfall

Source: Financial Times 10 Nov. 2015
Asian / GCC example

66% of infrastructure Sukuk issued by Malaysia

Malaysian Annual infrastructure investment needs approx. US$ 180 billion

Yet, total annual infrastructure sukuk issuances are less than US$ 30 billion annually

Infrastructure Sukuk issuances by Asian and GCC countries

Source: KFH research report (2014)
### Examples of Infrastructure Sukuk

#### SEC Issued 2 Sukuk: Both US$ 1 Billion, One of 30 Year Tenor & One of 10 Year Tenor

<table>
<thead>
<tr>
<th>Sukuk Type</th>
<th>Details</th>
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<tbody>
<tr>
<td>30 Year, US$ 1 Billion Sukuk</td>
<td>World’s first 30 year Sukuk, Initial profit rate of 5.06%</td>
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<tr>
<td>10 Year, US$ 1 Billion Sukuk</td>
<td>Initial profit rate of 3.473%</td>
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Both issuances demonstrated investor demand for long dated Shariah compliant paper.

The SEC Sukuk were issued in compliance with US Rule 144A, that allows marketing to onshore clients in the US, as well as US investors.

#### Geographic Source of Funding

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<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>US</td>
<td>27%</td>
</tr>
<tr>
<td>Middle East</td>
<td>25%</td>
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<td>5 times over subscribed</td>
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<thead>
<tr>
<th>Region</th>
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<tbody>
<tr>
<td>Middle East</td>
<td>49%</td>
</tr>
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Source: Asian-MENA Counsel review (2013)
Malaysian Infrastructure Sukuk

Malaysia’s Dana Infra Nasional was created by the finance ministry to raise funds for large Malaysian infrastructure projects.

**US$ 300 million, 7-15 year Sukuk**

- Institutional investor base
- Tenor: 7 – 15 years
- Initial profit rate: 3.62% - 4.04%

Issuance proceeds used to partly finance the Klang Valley Mass Rapid Transit Project.

**Retail Sukuk program**

- Exchange traded Sukuk
- 3 tranches have been issued to date
- Minimum subscription: RM1,000 (US$ 230)
- Feb. 2013 (Oversubscribed 1.6 times)
  - RM 300 Mn (US$ 69 Mn) Term: 10 year
- Nov. 2013
  - RM 100 Mn (US$ 23 Mn) Term: 15 years
- Aug. 2014
  - RM 100 Mn (US$ 23 Mn) Term: 7 years

Source: MIFC Insights (Sukuk Infrastructure financing) 2013
Increasing popularity to finance infrastructure projects using Sukuk

US & European investors have an appetite for long dated Sukuk paper, as demonstrated by Saudi Electric Company’s 30-year Sukuk issuance

Ability to market to US investors, as well as onshore clients in the US is key to sourcing investment from US capital base

Positive outlook for Infrastructure Sukuk used to finance projects, particularly in Africa, Middle East and Central Asia
Thank you...

Sohail Jaffer
International Business Development, Partner
FWU Global Takaful Solutions

Al Fattan Currency House Bldg., Level 16, Dubai International Financial Centre, Dubai UAE
Tel: +971 44175 422
Fax: +971 44175 555
Email: S.jaffer@fwugroup.com

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