

European Finance House Offshore Sharia Fund Assigned 'AAf/S1+' Fund Credit Quality And Volatility Ratings

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LONDON (Standard & Poor's) May 4, 2010--Standard & Poor's Ratings Services said today that it assigned its 'AAf' fund credit quality and its 'S1+' fund volatility ratings to EFH Funds SCA SICAV-SIF - Liquidity Subfund (the "subfund"), a Luxembourg-domiciled U.S dollar-denominated liquidity fund, managed by European Finance House (EFH). This is the first Standard & Poor's fund credit quality and fund volatility rating assigned to an offshore Islamic fund.

Fund credit quality ratings generally reflect our assessment of the level of protection against losses from credit defaults and are based on an analysis of the credit quality of the portfolio investments and the likelihood of counterparty defaults.

Fund volatility ratings generally reflect Standard & Poor's view of the fund's sensitivity to interest rate movements, credit risk, investment diversification or concentration, liquidity, leverage, and other factors.

The ratings reflect Standard & Poor's analysis of the subfund's credit quality and investment policies, its assessment of the subfund manager's experience, and its view of the subfund's expected sensitivity to changing market conditions, among other factors. The 'AAf' credit quality rating reflects our assessment that the subfund's selection of portfolio holdings and counterparties provides very strong protection against losses from credit defaults. The 'S1+' volatility rating assigned to the subfund reflects our assessment that we view the subfund's sensitivity to changing market

conditions as extremely low. For a Sharia fund to be eligible for a fund credit quality rating, we look to see whether the Sharia fund has invested in rated Islamic financial instruments that share similarities with fixed-income securities.

The EFH Funds SCA SICAV-SIF - Liquidity Subfund is described in its offering document as an open-ended investment company with variable capital and organized as a Société d'Investissement A Capital Variable in the Grand Duchy of Luxembourg. The subfund's investment advisor has indicated to us that it intends to primarily invest in "wakala" agreements with financial institutions approved by the firm's Sharia Supervisory Committee.

"Wakala" agreements are typically agency contracts widely utilized by Islamic banks, whereby the fund's depositor authorizes its agent to invest the funds in Sharia-compliant assets. This Islamic contract is largely used in Islamic finance between financial institutions and their clients, particularly in brokerage services, Islamic insurance ("takaful"), and funds management as an alternative to "mudaraba". Mudaraba are typically investment contracts whereby the investor ("rab ul mal") provides capital to another party ("mudarib"), which provides its expertise in order to invest in a Sharia-compliant business activity.

The subfund's investment advisor has indicated to us that it expects the subfund ("muwakkil") to invest in wakala contracts with specific Islamic financial institutions. We understand that the Islamic financial institutions act as the agent ("wakil") of the subfund and invest a certain amount for a period of time in exchange for an expected profit payable on a monthly basis to the subfund. We understand that the subfund's investment advisor intends to enter into wakala contracts of a maximum term period of one year (with a one-day call facility), with the aim to provide daily liquidity to investors and if necessary terminate the contract if the expected profit is lower than the one agreed at the beginning of the transaction.

The subfund is managed by EFH, a London-based affiliate of Qatar Islamic Bank (QIB), its main shareholder. EFH benefits from its relationship with QIB to provide financial services to clients, including asset management. We understand that the same London-based management team will oversee the liquidity subfund's investments while also managing EFH's Global Sukuk Plus Fund that invests in the global sukuk market (Islamic bonds) and has approximately \$50 million assets under management.

The subfund's custody and administration services are described in the offering document for the subfund as being provided by Luxembourg-based The Bank of New York Mellon (Luxembourg) S.A., a wholly owned subsidiary of Bank of New York Mellon Corp. (AA-/Stable/A-1+).

Standard & Poor's fund credit quality ratings, identified by the 'f' subscript, are forward-looking opinions about the overall credit quality of a fixed-income fund's portfolio. Fund credit quality ratings range from 'AAAf' (extremely strong protection against losses from credit default) to 'CCCf'

(extremely vulnerable to losses from credit defaults). Standard & Poor's fund volatility ratings, identified by the 'S' subscript, are forward-looking opinions about a fixed-income fund's sensitivity to changing market conditions, relative to a portfolio made up of government securities and denominated in the base currency of the fund. Volatility ratings range from 'S1+' (lowest sensitivity) to 'S6' (highest sensitivity).

Standard & Poor's reviews pertinent fund information and portfolio reports on a monthly basis as part of its surveillance process of its fund credit quality and volatility ratings.

RELATED CRITERIA AND RESEARCH

- Fund Credit Quality Rating Criteria, Feb. 2, 2007
- Fund Volatility Rating Criteria, Feb. 2, 2007

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