

# FINANCIAL REVIEW

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HD **Islamic fund pours investment into Queensland**  
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The financier who devised Australia's first Islamic bond is funnelling \$100 **million** from Malaysia, Indonesia and the Middle East into infrastructure and property projects in Queensland and Indonesia via a new Islamic fund.

Rusdyi Mitabu's Brisbane Islamic Investment Fund, launched on January 6, has commitments from several private and sovereign Islamic funds in search of better yields.

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Around \$10 **million** has been earmarked for a galvanising plant in Toowoomba, and the fund is also contributing \$15 **million** to a new cattle feed lot and abattoir which will be built this year in West Java, Indonesia. It will take calves from Australia and fatten them up for Asian and Middle Eastern consumers.

BIIF is one of a number of financiers for the lot and is contributing via the Queensland Meat Consortium.

The supply of investments that comply with Islamic law continues to fall short of demand from investors, which are primarily Muslim countries in search of funding and rich Gulf **oil** states looking for better yields.

"The Middle East is the number one fund, the second is the Malaysian sovereign funds," Mr Mitabu said.

"But we have inquiries from **China** and Japan because it is another asset class and they would like to diversify their investments."

Total funds under management in the top 10 Islamic fund countries for investment in sharia-compliant assets was \$US43.2 **billion** (\$47.8 **million**) in 2013, according to Thomson-Reuters. The vast majority of this is in Malaysia and Saudi Arabia.

Global lender demand for Islamic **bonds** is expected to rise to more than US\$420 **billion** by 2016.

BIIF also plans to tip funds into developing luxury hotels and a marina at Medana Bay on Lombok, an island adjacent to Bali, and is finalising property investments in Brisbane and on the **Gold** Coast, including university student accommodation.

All of the \$100 **million** in commitments secured so far should be allocated by the end of the year, but Mr Mitabu said the projects would not receive funds until the assets are ready to provide a return to investors.

"The money is already there on an on-call basis," he said. "The money will flow in once the underlying assets are ready."

SGI-Mitabu issued the first Islamic bond, known as a sukuk, by an Australian **company** in late 2012. It raised \$100 **million** from Malaysian investors to build a 50-megawatt **solar** plant in East Kalimantan on the island of Borneo, and plans to raise another \$400 **million** to build four more across Indonesia.

Sharia law prohibits interest, which means the investment structures of sukuk are often based on lenders temporarily owning an asset and taking a cut of the money made with it. Investments in gambling, alcohol, pork products and tobacco are also banned.

Each of the projects BIIF is investing in will be powered by **solar** panels supplied by SGI-Mitabu.

The Islamic finance structures used to fund them vary. For the Toowoomba galvanising factory, two **equity** equivalents are being used.

The plant itself will be funded via a type of joint venture, or musharakah, between BIIF and the plant operator. Musharakah requires each partner to agree on how much of the profits each will receive beforehand.

A Murabaha structure will be used to finance the **solar** panels that will power it.

This involves the financier buying the asset on behalf of their client and then selling it to them with a profit margin. The cost price and margin are revealed to the client.

**RE** austr : Australia | indon : Indonesia | malay : Malaysia | brisbn : Brisbane | queensl : Queensland |  
apacz : Asia Pacific | asiaz : Asia | ausnz : Australia/Oceania | devgcoz : Emerging Market Countries  
| dvpcoz : Developing Economies | seasiaz : Southeast Asia

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