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Shariah investing provides more resilience to investment solutions

Shazni Ong / theedgemarkets.com

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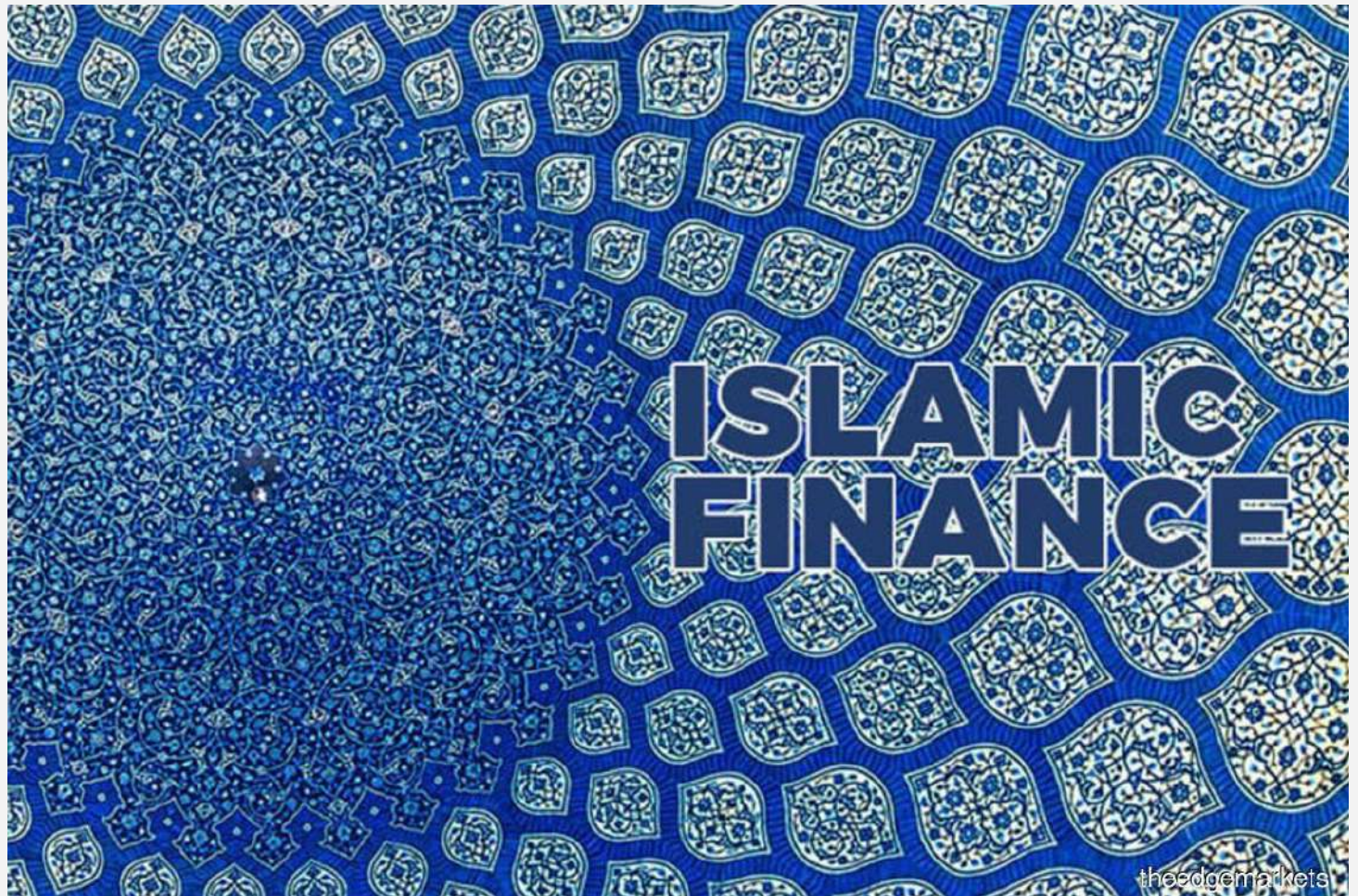


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KUALA LUMPUR (June 8): Interest rates play an important role in the development of shariah investing, with the latter being more resilient when it comes to investment solutions, according to a senior banker.

Maybank Islamic Asset Management chief investment officer Muhammad Riduan Jasmi said a low interest rate environment is one of the main factors driving many asset classes to new highs, and that this was not necessarily only in the shariah space.

“If you can see even in the conventional space on the alternative assets, for example the bitcoin, the cryptos, interest rate is one of the determinants factors that drives the growth of all these asset classes,” he said at the “Markets and Smart Money: Fight or Flight?” panel session in conjunction with Maybank Invest Asean 2022 conference on Wednesday (June 8).

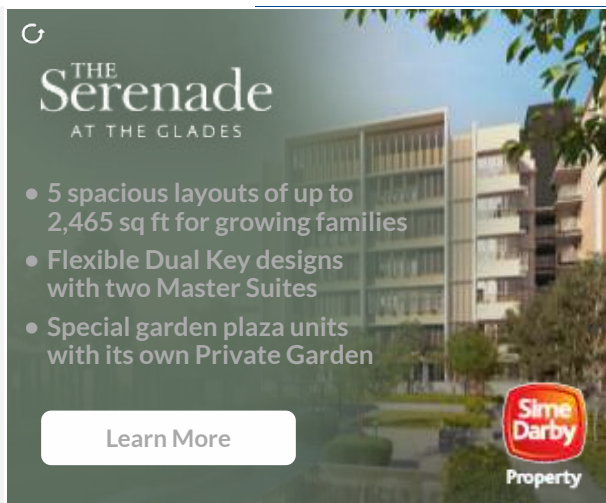
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However, Riduan said there are also other factors accounting for the growth of shariah related investments.

Going by current trends, he indicated that growth in shariah assets has been between 13%-19% per annum – relatively lower compared to previous periods, of 20%-30%.

“But you must understand that over the years the pace has become bigger despite the 'teens' percentage of growth; it is still decent and moving in

the right direction,” he said.

Another key growth factor is the increasing awareness of shariah investing among the 1.8 billion Muslims across the globe, which has driven up demands for shariah investments, he said. He added that the segment's performance has also helped, as looking at the overall performance numbers for some of the shariah related products, be it equities, mixed assets or sukuk, performance numbers have been decent.

“If you look at the three and five year performance of some of the global indices, for example the MSCI World Islamic and MSCI World, you can see that the Islamic benchmark actually outperforms the conventional benchmark.

“This is another factor that has made shariah investment an attractive investment solution not only for the Muslims but also for other faiths,” he added.

In addition, Riduan said there have been a lot of demand from institutional investors, corporates, pension funds like the Employees Provident Fund (EPF) and Kumpulan Wang Persaraan (Diperbadankan) (KWAP), as well as Tabung Haji, and that this would drive the expansion of shariah investing in Malaysia.

“Lastly, if you look at the demand for Sustainable and Responsible Investment (SRI) or environmental, social, and governance (ESG), that has basically opened up another channel for shariah investing.

“There are some similarities when it comes to shariah investing and also SRI and ESG. For example, the shariah promoting social economic justice and the overall wellbeing, that is being covered under the SRI and ESG, although we have to admit that under the ESG, the scope would be much bigger compared to shariah investing.”

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“So that has basically increased the credentials of shariah investing, with the pushing of market players towards SRI and also ESG,” he said.

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