

The significance of Shariah investing

Speaking at Hubbis' Investment Solutions Forum 2017 in Singapore in June – Sharizad Juma'at of RHB Asset Management discusses Shariah investing, and explains the resilience of Shariah versus unconstrained strategies.

The Shariah investing concepts focus on responsibilities to investors and societies, with Shariah-compliant investments about ethical and moral actions, explains Sharizad Juma'at, chief executive officer, RHB Islamic International Asset Management, and group head of Islamic business at RHB Asset Management.

This is achieved by prohibiting the use of fixed interest, avoiding transactions which may result in unprecedented losses to investments namely, and encouraging profit and loss sharing and mark-up financing.

Yet Shariah investing has applicable screening across all asset classes, guided by Shariah advisers. And, says Juma'at, the screening process adds resilience to portfolios over the long-term.

This is reflected in the fact that trends point towards an increasing global focus for Shariah funds. Further, she adds, there has been an acceptance of Shariah strategy across markets and asset classes.

It is important, therefore, to continue to remove any misconceptions around Shariah investing, explains Juma'at. Some of the common ones include the fact that Islamic funds are less competitive in terms of performance compared with conventional funds due to the added layers of Shariah screening.

Plus, fund managers may think it will be difficult to select a particular stock, due to a narrowed universe and the absence of certain sectors deemed non-compliant.

However, Shariah-compliant funds are not sub-standard in performance compared with their conventional counterparts, she explains.

Other benefits include them providing diversification, being attractive due to the ethical stance and transparency over product profitability, offer potential resilience in the face of an economic downturn, and create added control as the financial screening provides an additional layer of risk management. ■



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