



NAVIGATING GLOBAL SHIFTS: INVESTMENT STRATEGIES FOR ISLAMIC ECONOMIES

GIFF 2025

GLOBAL ISLAMIC
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**BRIDGING TRADITION
AND TOMORROW**

ADVANCING BUSINESS, EMPOWERING COMMUNITIES



Ahmad Shahrman Mohd Shariff,
*CEO, CIMB Islamic Bank Berhad & AIBIM Vice President
(Malaysia)*

INTRODUCTION



Presentation by Tan Sri Andrew Sheng,
MIFC Leadership Council (MLC) Member (Malaysia)

Strategic Investment Decisions in a Changing Geopolitical Landscape

Blended Finance & New Development Model

Key Questions in Changing Order

1. If OIC countries have 50 years history of Islamic Finance, half of global oil and gas reserves, account for 24% of global population, 9% of global GDP and only 1% (\$5 trillion out of roughly \$500 trillion global financial assets), what did conventional finance do right?

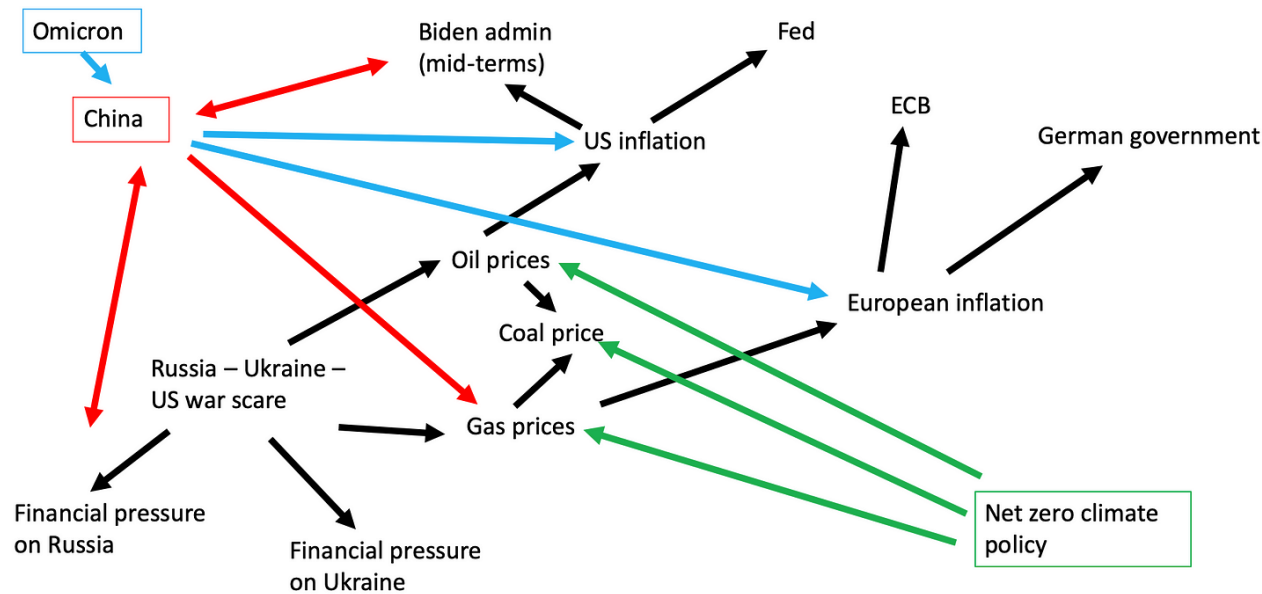
Answer: we need to re-think real economy strategy whereby finance is to support real sector transformation (rather than in silo of finance for finance's sake).

Presentation today attempts to re-frame the paradigm and institutional way of thinking and acting on change: A Non-Washington Consensus Model of Funding Grass-Root SME/Rural Community transformation to tackle social inequality and nature restoration – rural community stewards of half of global forests and marine resources

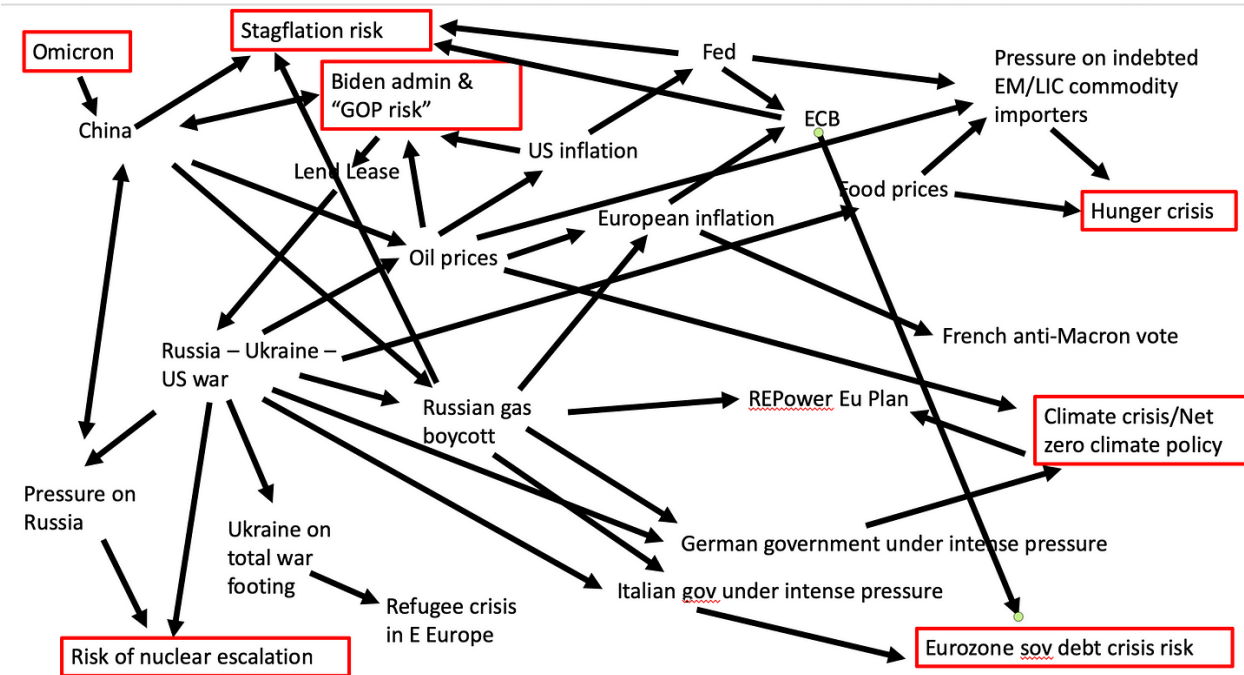
From Simple to Complex, Entangled Polycrises

– Adam Tooze, 2022

• Early Pandemic



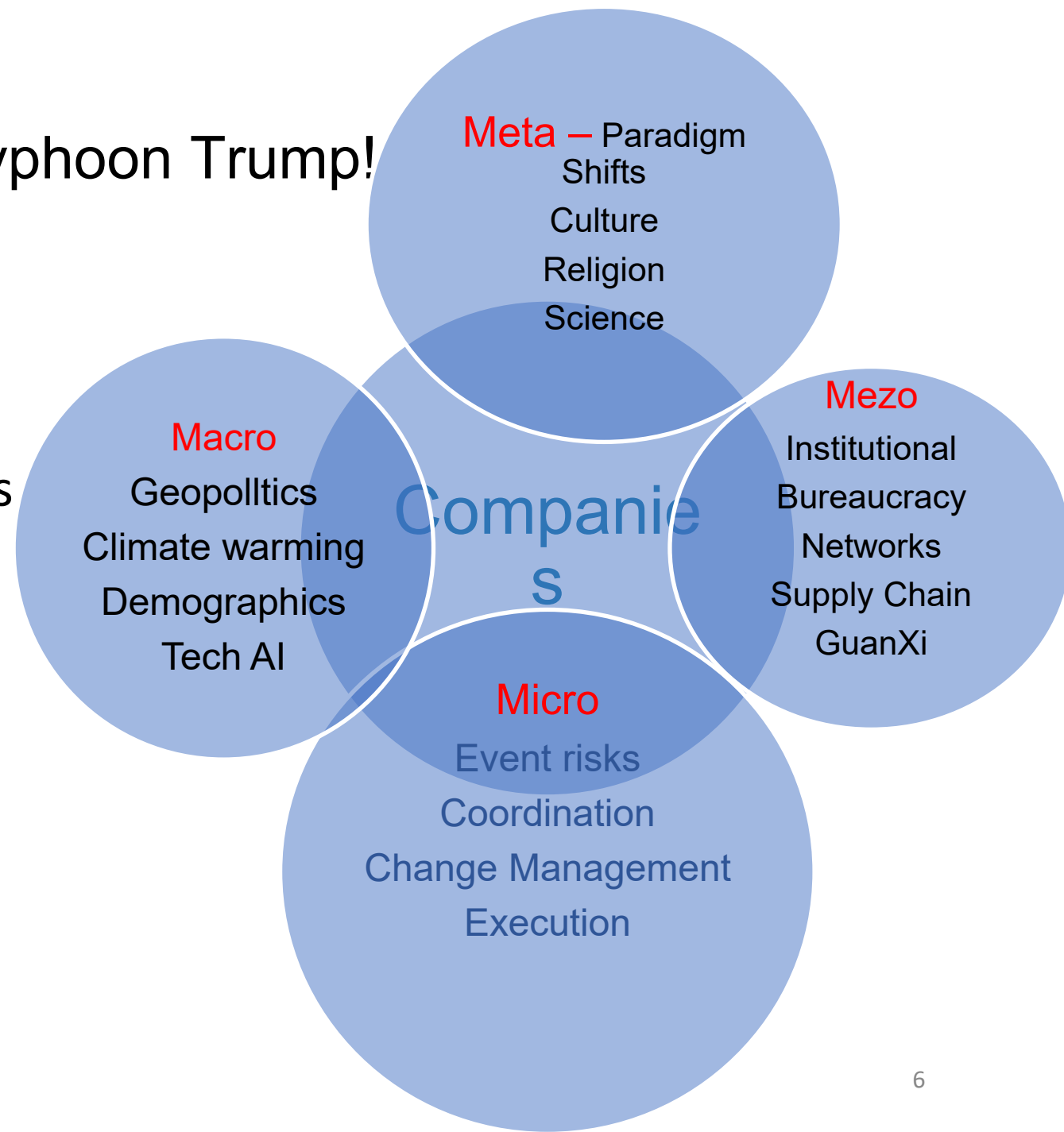
• Pandemic + Ukraine + Inflation



Polycrises Requires Change in Paradigm – Complex System of Money, Capital, Power and Nature

Corporate Business at eye of Typhoon Trump!

1. Businesses lost in bipolar Megatrends - changing future of family, business, society
2. Best of Times, Worst of Times – booming stock markets, people are unhappy; loss of trust in institutions
3. MAGA – self-help becomes key!
4. Self-Strength, Collaborate & Co-Create in cross-cutting sectors to drive sustainable, resilient business transformation
5. Must use AI/Tech to uplift Competitiveness and Resilience, Network across local, regional and global business to survive!



Five Data Points Signalling We Are in an Inflection Point of Major Structural Changes

1. By 2022, solar energy production is on average cheaper than fossil fuels by 30% or more, with such cost advantage growing in coming years as solar technology and storage costs continue to decline. (Moving out of Fossil Fuel Era)
2. Capital is flowing uphill, with East Asia and Islamic oil rich economies financing rich country debt and deficits. The US alone has gross \$36 trillion in debt, net \$26 trillion. (De-dollarization)
3. International Monetary System (IMS) shifting to mixed gold-and dollar based system. Central bank holding of gold now more than holdings of US Treasuries
4. US debt interest expense now larger than defense spending.

“Debt and financial crisis tend to occur precisely when a country’s fiscal situation is already precarious, its interest rates are high, its political situation is paralyzed, and a shock catches policymakers on the back foot. The United States already checks the first three boxes; all that is missing is the shock.” – *Kenneth Rogoff*

Almost All These Risks are Human-driven Issues

- Bank Negara paper on nature of Money – physical-based (gold, rare minerals, oil & gas) versus credit—based money (debt-leveraged asset bubbles)
- If fiat-money is losing credibility, money will shift back to physical-currency, e.g. gold or e-Dinars
- This creates new options of global international system that may be less vulnerable to sanctions and geopolitical risks
- Local currency to Local currency trading in net settlement in e-Dinars may be a cross-border solution to sanction risks

Section 1 Islamic Finance Navigating through Complexity

*Unipolar Pax Americana was One Anchor – USD, but
Tax Americana needs more anchors – what is stable
in unstable world?*

Silicon Valley Model of Funding Tech is New Development Model

- ✓ Higher growth needs risk-capital, which means that Silicon Valley Model of PE/VC nurturing SMEs to IPO is way to go
- ✓ ASEAN should have common IPO standards/gateway to encourage greater liquidity and funding for startups
- ✓ Co-listing across ASEAN or HK/China stock markets will ensure that risk capital becomes bigger and more liquid in EMDEs
- ✓ If successful, model can scale to BRICS markets

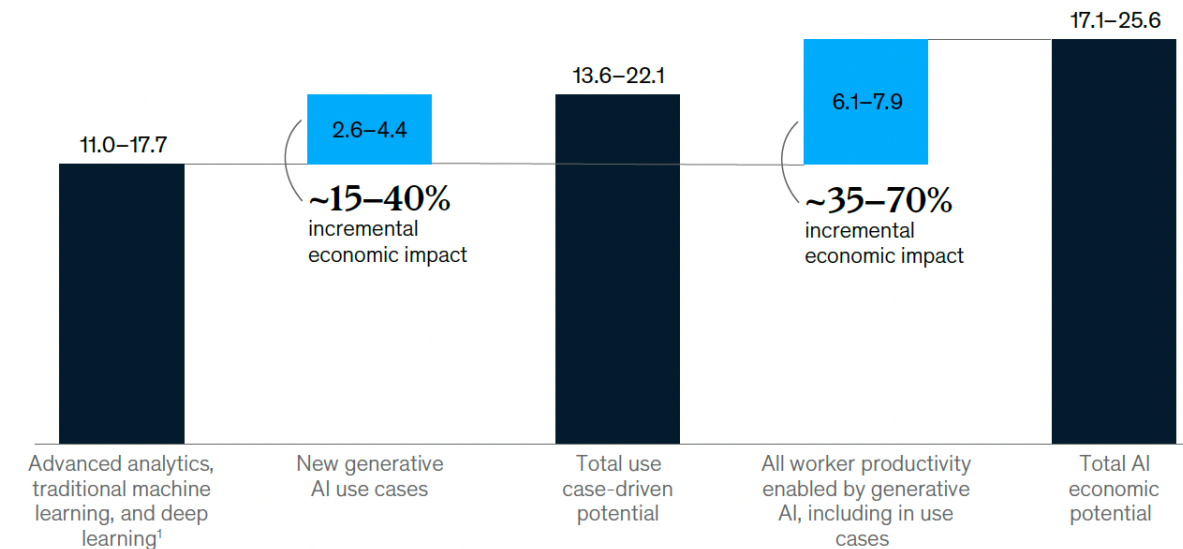
Figure 1. Primary Components of the Silicon Valley Economic Model



AI Could Drive Productivity Growth of 1 to 1.5% over a Decade, increasing global Annual Value Add of \$2 to \$4 trn – McKinsey

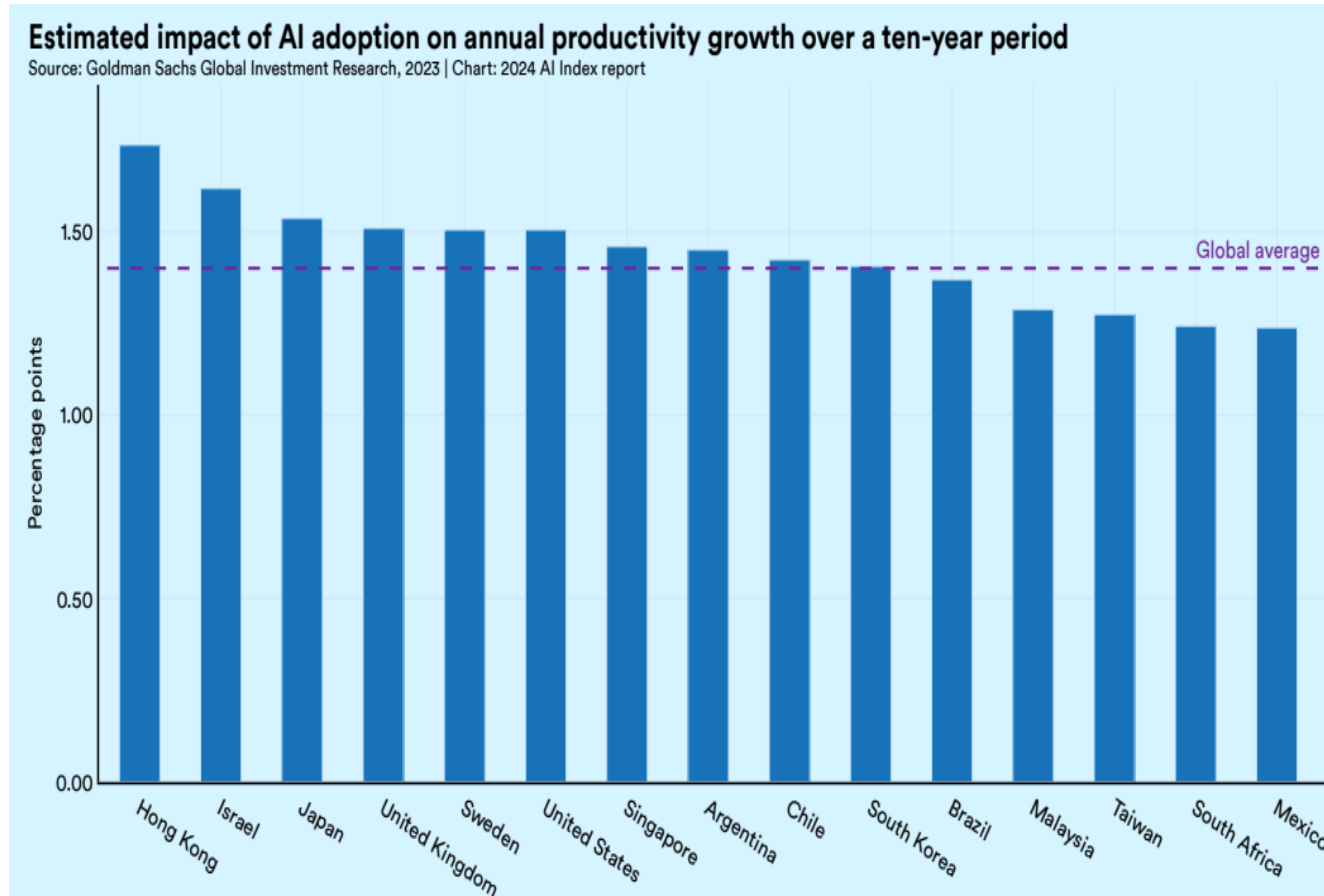
Generative AI could create additional value potential above what could be unlocked by other AI and analytics.

AI's potential impact on the global economy, \$ trillion



¹Updated use case estimates from "Notes from the AI frontier: Applications and value of deep learning," McKinsey Global Institute, April 17, 2018.

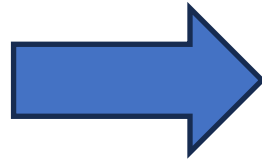
McKinsey & Company



Using AI to Transform Aspiration to Impact (inclusive innovation and skilled workforce, better wellbeing)

ASPIRATIONS

- **E**nvironmental = Goal
- **S**ocial (justice, harmony) = Goal
- **G**overnance = Delivery through Execution



IMPACT

- High Quality, High income Workforce
- Higher R&D, innovation
- Well-being in Health, Housing, Water, Energy & Social Stability
- Low Corruption, Competitive Markets
- Green inclusive environment

Efficient, Robust Physical and Digital Infrastructure requires **Alignment** in Standards, Protocols, Apps and Data-sharing

Islamic Finance is ethical, inclusive, risk-sharing, equity-based finance, but competition with conventional finance will depend on real sector development

Conventional Finance Model

- Interest-bearing banking is Risk-transfer model
- Tends to push debt, inequality and high leverage
- No link between charity and profit making
- The less skin in the game (equity), the more speculation

Islamic Finance

- Equity is Risk-sharing Model
- Zakat is a payment in kind made on wealth that the Sole Owner and Grantor of all wealth gives annually to help the poor, vulnerable, and deserving.
- Takaful means mutual guarantee or Shariah-compliant insurance
- Can we blend these to help fund inclusive, green startups or SMEs?
- Blended (hybrid) approach is Eco-system change process

Fundamental Paradigm shift: from linear hierarchical model of finance to Dynamic Complex Eco-system of Real Sector supported by inclusive, green finance

Credit-based Finance Model

- No hard-budget constraint (hegemon credit creates more money)
- Finance serves the hegemon – money flowing uphill
- Excessive debt-consumption creates social inequality and ecological destruction
- Top-down silo delivery of funding never helped to under-privileged

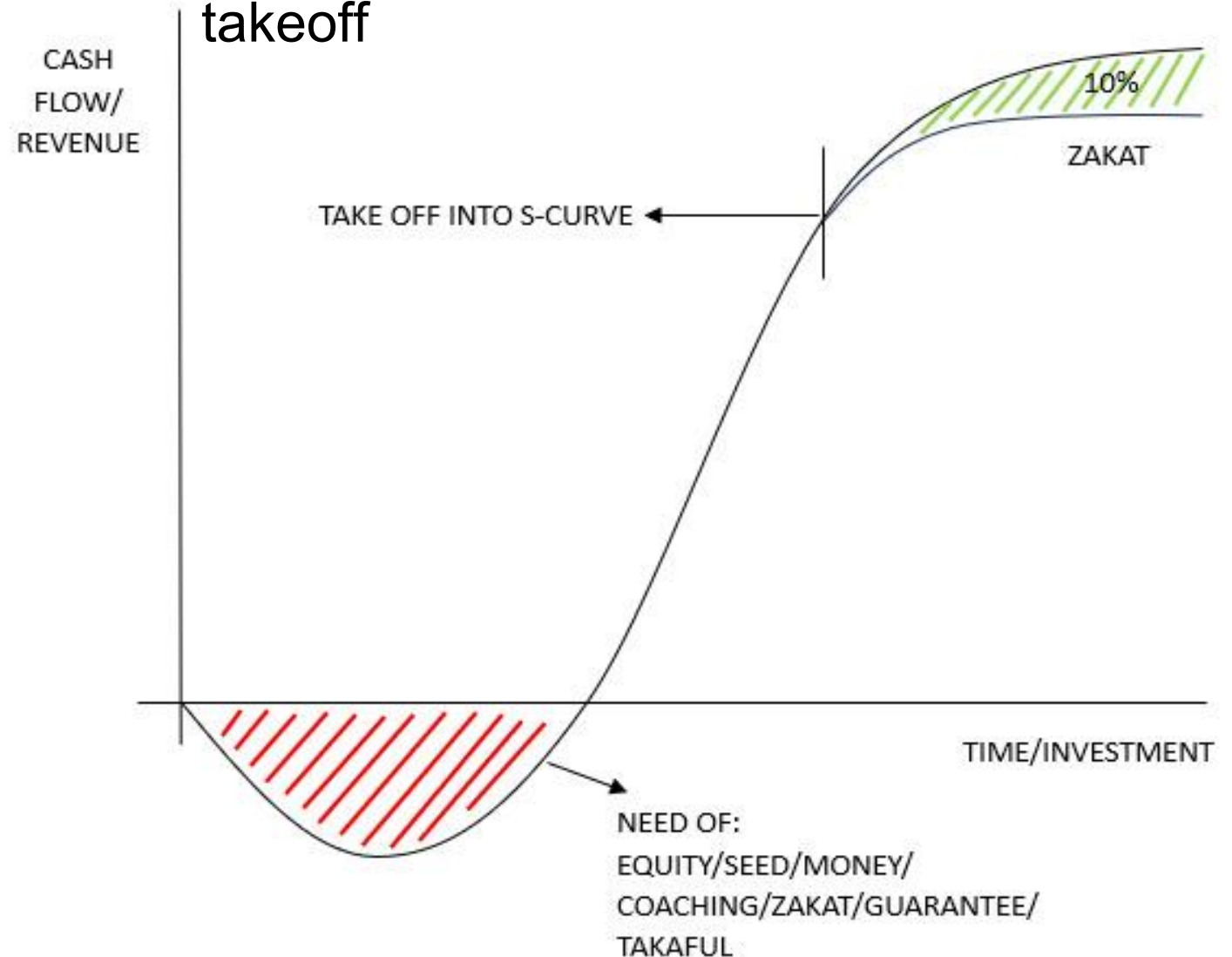
Physical-based Finance Model (Islamic)

- Gold or physical based ultimate hard budget constraint – no gold, no printing
- Zakat is circular economy, rich funds poor
- Self-restraint key to sustainability
- Blended (ecosystem) of charity, seed money, coaching, takaful insurance, private equity,

New Blended Finance Model of Development funding (Clayton Christiansen)

1. All businesses or ventures go through periods of negative cash flow (to invest for the future)
2. They need to learn, make mistakes, adapt in high risk scenario, which means that during the J-curve phase, they need equity or charitable support (e.g. help in form of coaching, seed money, mentoring, and also some form of insurance (risk-limiting)).
3. When good infrastructure and SMEs gain experience, they move from J-curve of losses to S-Curve of profits and take-off.
4. That is when Zakat or investment in donation to help next generation of SMEs create circular economy and funding that will be sustainable.

Christiansen: Disruptive Model of Innovation - with eco-system, takeoff



Scientific Management vs. Heart-driven Empowerment

- Setting objectives, organizing work, communicating & motivating people, measuring performance, and developing people.
- Achieving goals and motivating people is really about story-telling and delivering on that story.
- Profiting the environment is not an expense, it is an investment in our planet and our future happiness.
- Empowering people is not an expense but an investment in future generations.
- “The heart of education is education of the heart.” - Trust, faith and ethical values lie at heart of finance

Conclusion

- Islamic Finance has achieved much, and in my view, is morally and logically more sustainable than mainstream debt-based finance.
- In this period of structural uncertainty and system order transformation to an unformed new model, Islamic Finance must evolve with the times. In my view, the blended finance of zakat, takaful, equity injection and successful-helping-unsuccessful businesses is circular and more sustainable than conventional risk-transfer models.
- Since Islamic countries command more than half of global fossil-fuel resources, and therefore has surplus funds, developing new models of inclusive, green and ethical models of development would be contributing to global peace, order and prosperity.



Presentation by Ruggiero Lomonaco,
*Head of Real Estate Funds, Rasmala Investment Bank
Limited (UAE)*

Key Drivers Behind Private Islamic Investors' Decisions: Insights From Market Performance and Index Composition

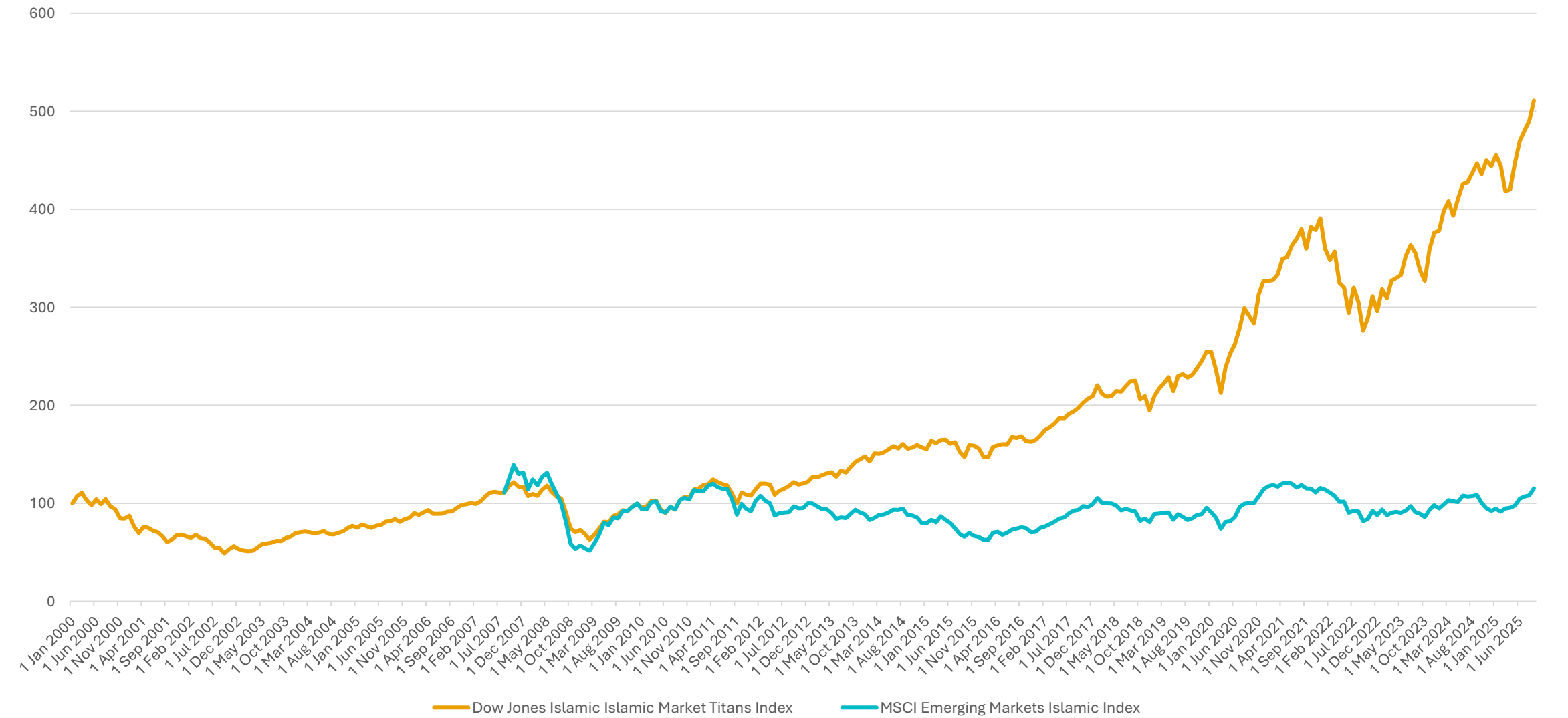
Analyzing Factors Shaping Islamic Investment Choices



Agenda Overview

- Long-Term Performance of Major Islamic Investment Indices
- Geographical and Sectoral Composition of Leading Islamic Indices
- Performance of Dubai Residential Real Estate: A Strategic Asset Class

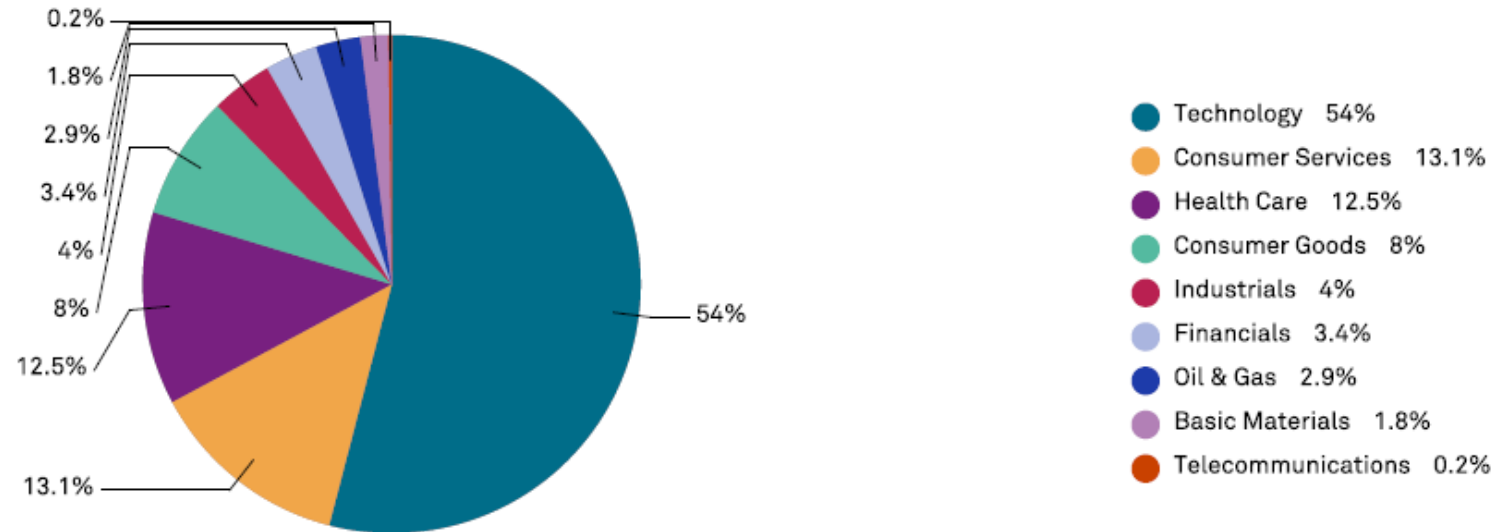
Long-Term Performance of Major Islamic Investment Indices



Geographical and Sectoral Composition of Leading Islamic Equity Indices

Dow Jones Islamic Markets Titans Index

Sector* Breakdown



*Based on a proprietary sector classification system used for Dow Jones indices.

The weightings for each sector of the index are rounded to the nearest tenth of a percent; therefore, the aggregate weights for the index may not equal 100%.

Dow Jones Islamic Markets Titans Index

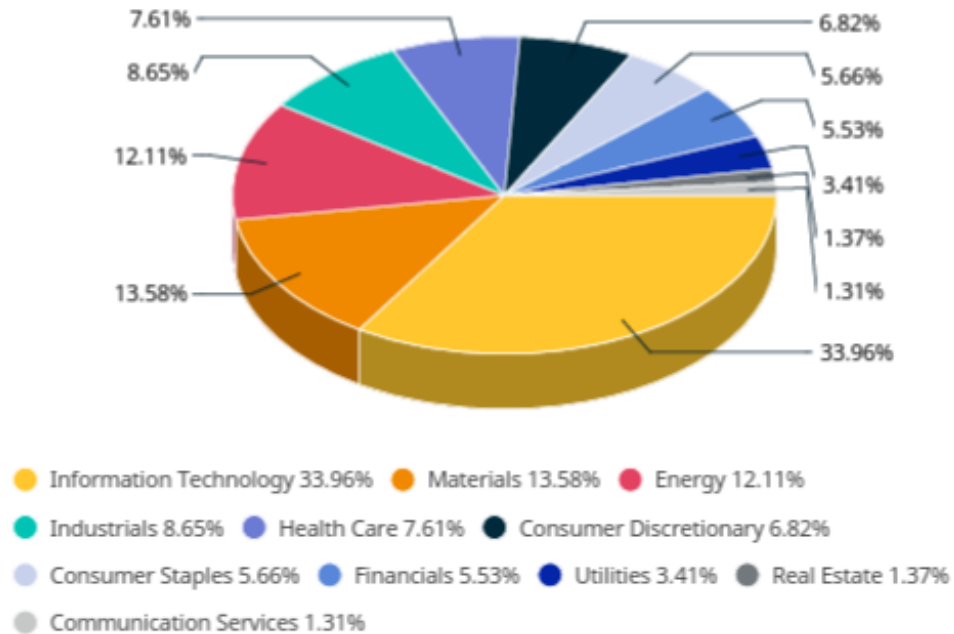
Country/Region Breakdown

COUNTRY/REGION	NUMBER OF CONSTITUENTS	TOTAL MARKET CAP [USD MILLION]	INDEX WEIGHT [%]
United States	51	33,384,119.32	82.1
Switzerland	7	1,050,327.6	2.5
China	7	1,032,275.62	2.5
Japan	9	709,662.26	2.3
United Kingdom	6	693,133.18	1.8
France	6	1,034,064.55	1.7
South Korea	2	534,291.95	1.4
Taiwan	2	1,179,481.3	1.1
Netherlands	1	383,204.46	1
Australia	3	275,900.67	1
Germany	2	422,346.07	0.9
India	3	395,937.65	0.8
Denmark	1	183,913.16	0.4
Sweden	2	80,118.69	0.2
Spain	1	172,007.24	0.2
Italy	1	93,786.98	0.2

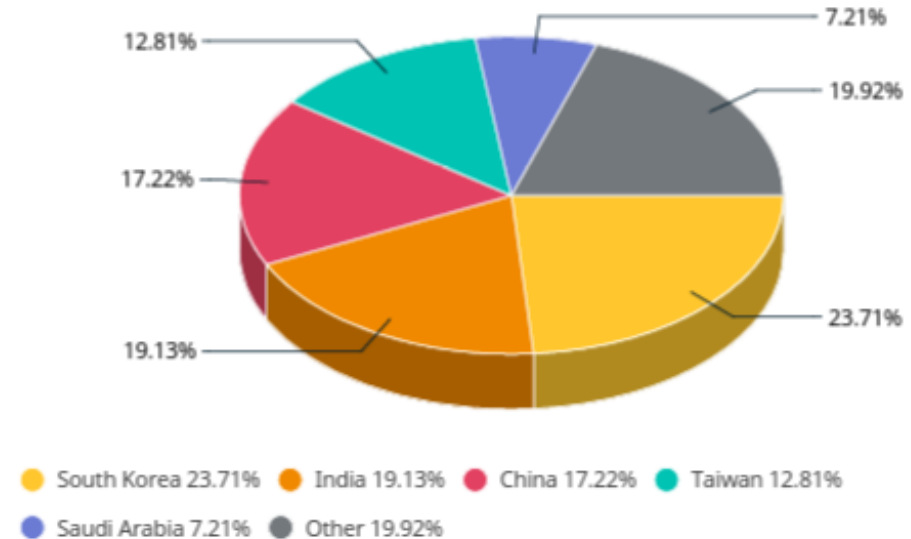
Based on index constituents' country of domicile.

MSCI Emerging Markets Islamic Index

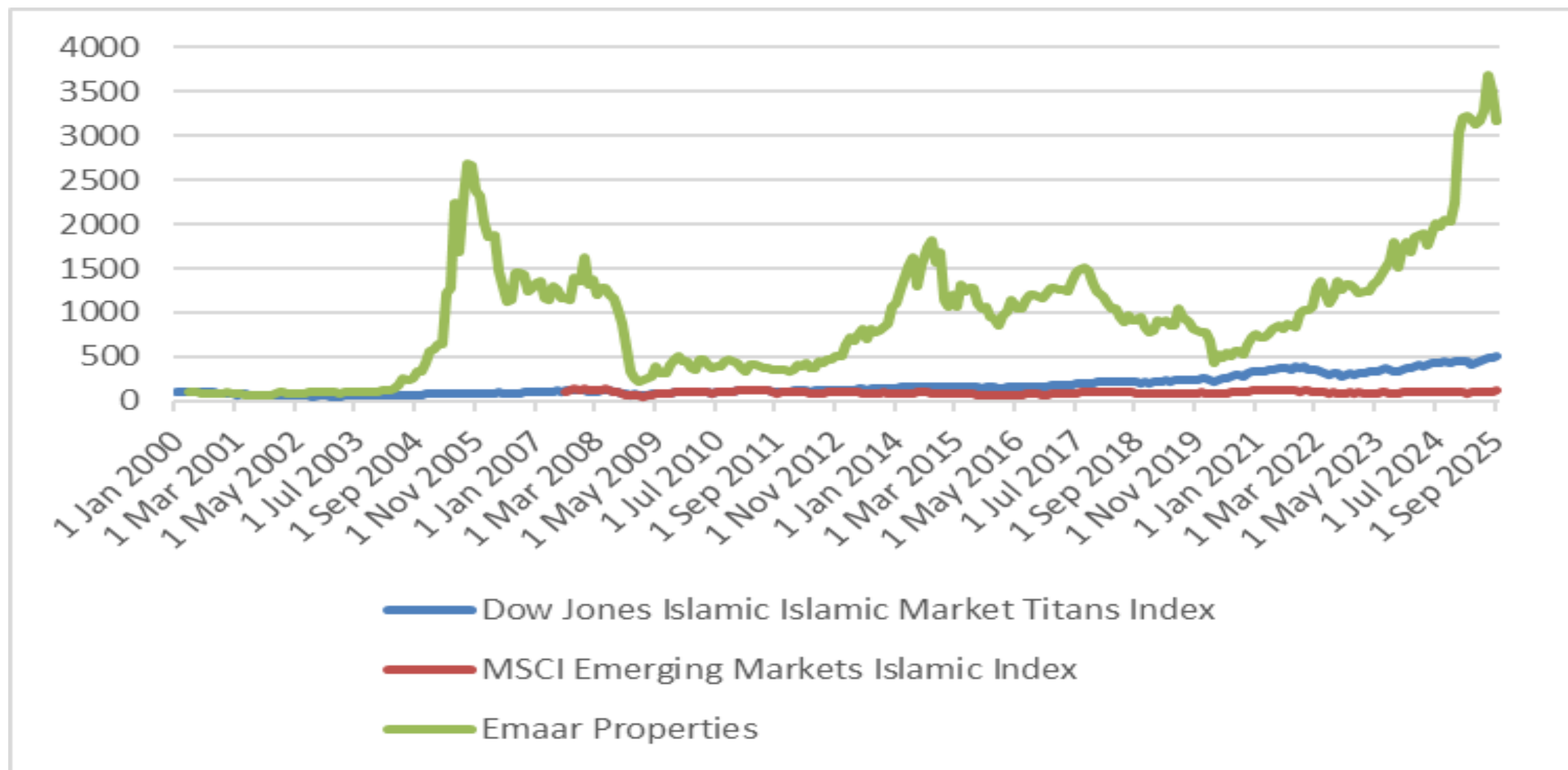
SECTOR WEIGHTS



COUNTRY WEIGHTS



Performance of Dubai Residential Real Estate: A Strategic Asset Class





Q&A