



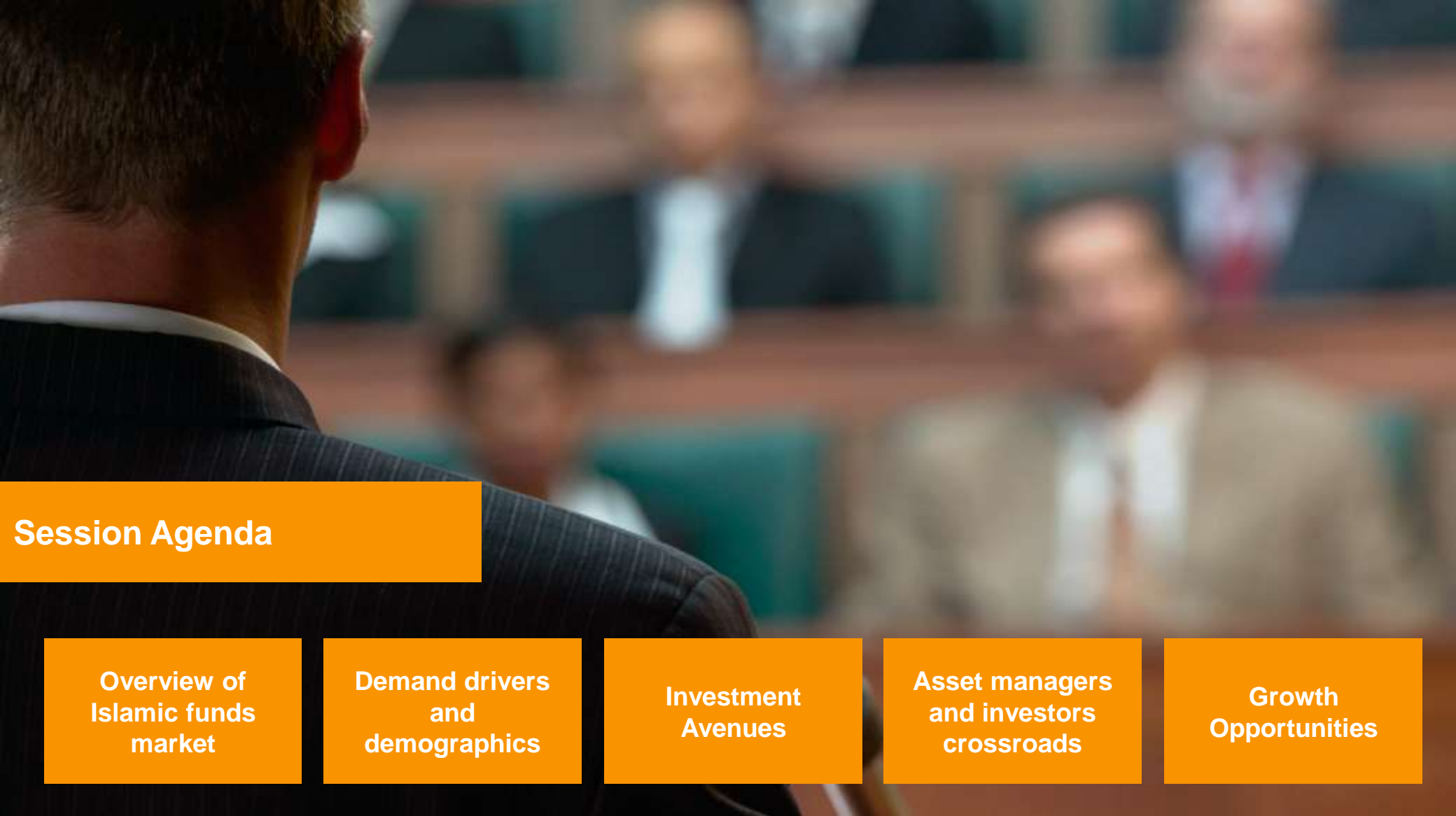
**UNLOCKING POTENTIAL**

**THOMSON REUTERS  
GLOBAL ISLAMIC ASSET MANAGEMENT  
OUTLOOK 2015**

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Research and Product Development Manager  
Thomson Reuters

..... KNOWLEDGE PARTNER .....





## Session Agenda

Overview of  
Islamic funds  
market

Demand drivers  
and  
demographics

Investment  
Avenues

Asset managers  
and investors  
crossroads

Growth  
Opportunities



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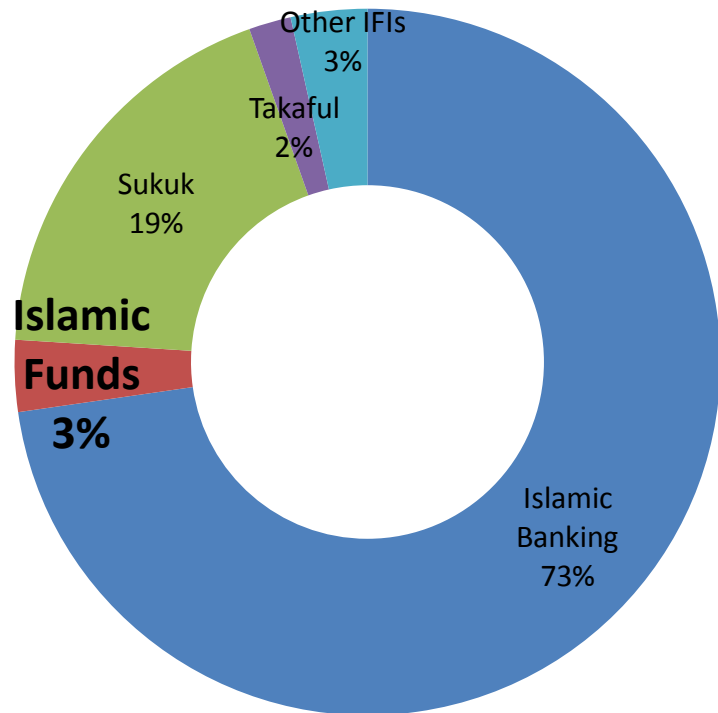


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# A \$1.6 trillion industry and Islamic funds represent a mere 3% of total global Islamic finance assets

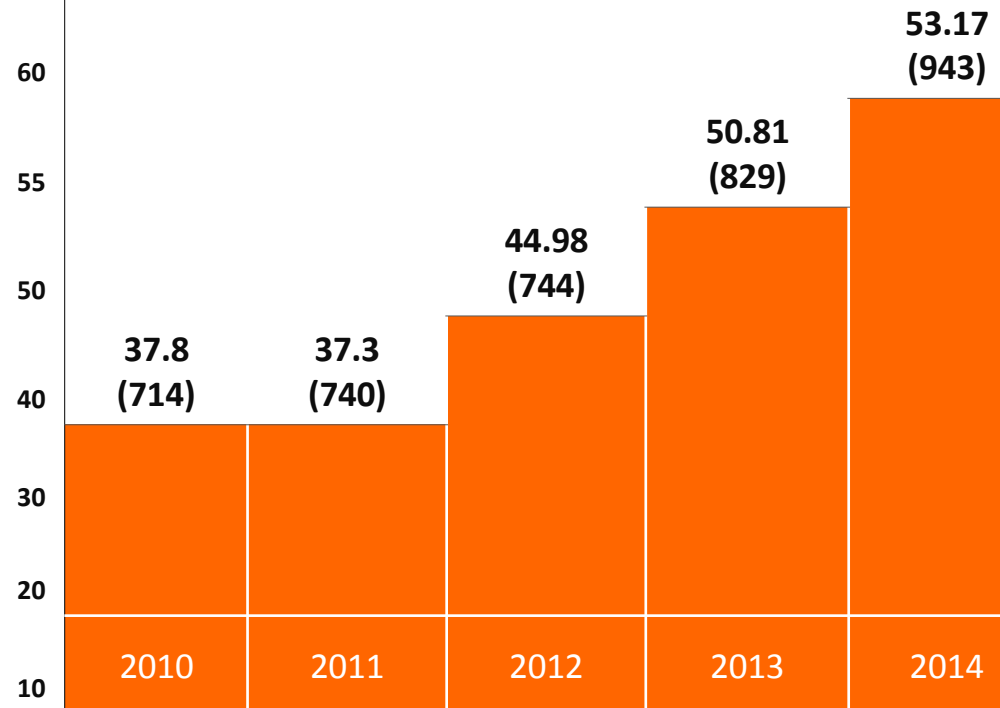
## Islamic Finance breakdown by sector 2014

USD 1.6 tln



## Global Islamic Mutual Funds Outstanding (2010- 2014)

AUM  
(US\$ bln)



Source: Thomson Reuters

# Recent major economic and political trends driving global and regional markets



## GCC investment destination:

The opening of Saudi Arabia, Qatar/UAE entrance into MSCI index, planned EXPO and FIFA project



## Euro Crisis

A prolonged economic slump highlights a crisis in the French-German partnership and populist parties are rising and the UK could leave the EU



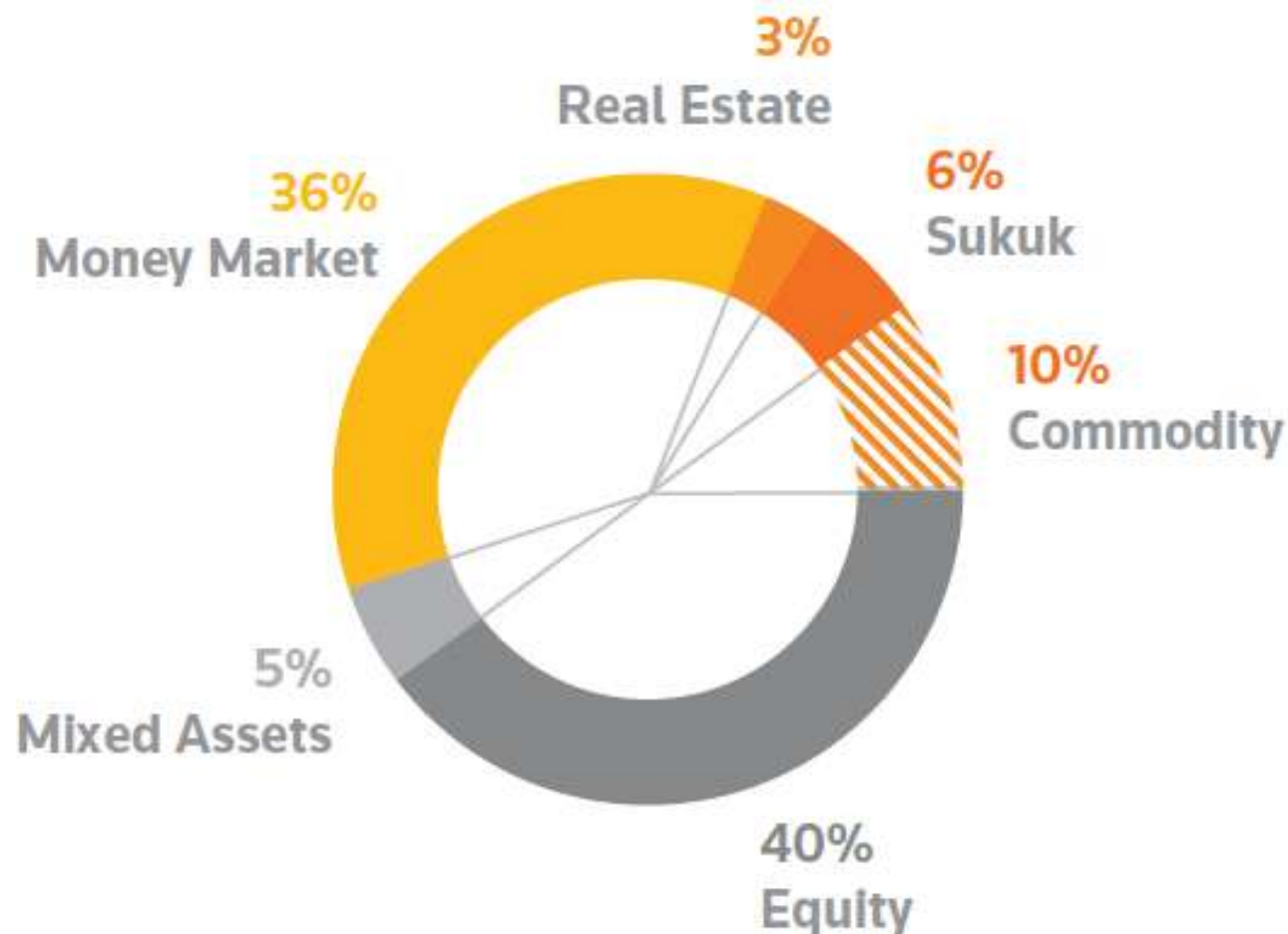
## Oil price plunge:

Drop in oil price hit major oil-producing Arab fiscal budgets, causing lower government spending



# Money market most dominant type of Islamic funds launched in 2014

## AUM of Global Islamic Funds Outstanding By Asset Class (FYE 2014)



Source: Thomson Reuters



How large is the potential capital for shariah-compliant investments?



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# Shariah-compliant investments enjoy strong demand demographics targeting the different segments has been largely inefficient

## Burgeoning youth populations

Young population in OIC markets are the key driver of economic development

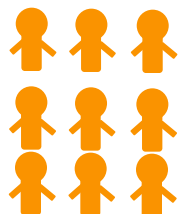


## High growth population that is becoming wealthier

Growing middle class and rising incomes, increased urbanization and sophistication with low household leverage and high levels of savings



## Growing Muslim Population



Muslims make up roughly one-fifth of the world's population; a total of around 1.5 billion Muslims world wide.

## Excess Liquidity in most OIC markets

There are strong macroeconomic fundamentals in the region, and there is excess liquidity calling for quality regional investment products



## Young Population

Projected median age by 2030

OIC Member States  
**30 years old**

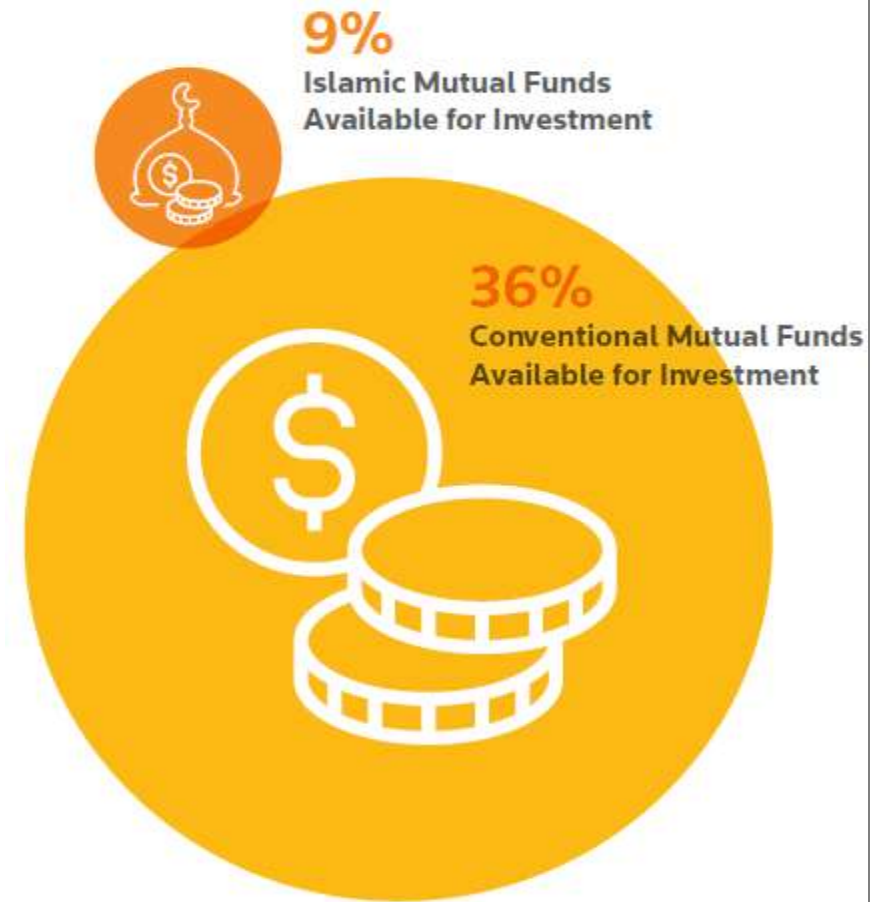
North America & Europe  
**44 years old**

# Current latent Islamic AuM is estimated at around \$126 billion, with a supply-demand gap of \$73 billion in 2014

## Supply and Demand Gap for Islamic AuM

YEARS/\$BILLION	2014	2015	2016
<b>SUPPLY</b>			
Islamic Funds*	\$52.20	\$56.38	\$60.89
<b>LATENT DEMAND</b>			
Islamic Banking Deposits**	\$647.81	\$699.63	\$755.60
Total Available Islamic Investment (Deposits + Funds)	\$700.01	\$756.01	\$816.49
Islamic Funds to Available Islamic Investment Ratio	18%	18%	18%
Latent Islamic Funds Demand	\$126.00	\$136.08	\$146.97
<b>GAP</b>	<b>\$73.80</b>	<b>\$79.71</b>	<b>\$86.08</b>

## Ratio of funds to investable capital (Deposits + AUM)







How best do we tap into new growth opportunities and narrow the gap?



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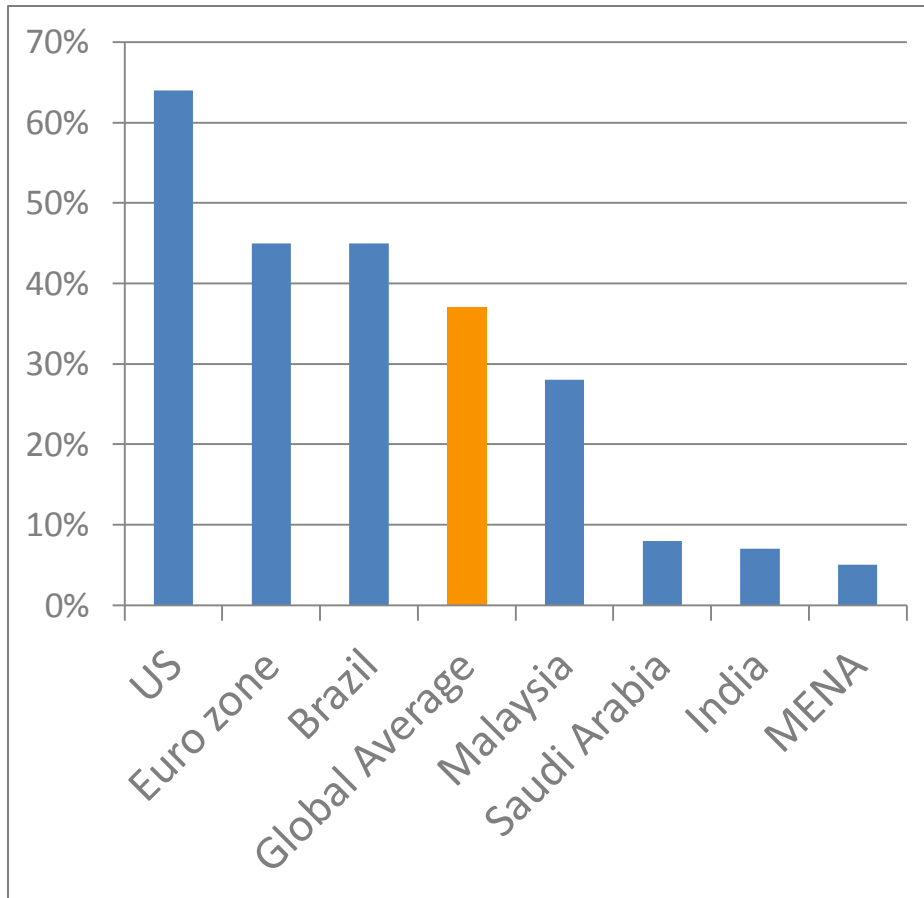
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# AuM to GDP in OIC markets are well below developed markets and global average

## LONG-TERM FUND ASSETS AS A PERCENTAGE OF GDP



Latest available figures

## INVESTMENT AVENUES

Saving Deposits

Equities

Bonds

Alternate Investments Funds

Real Estate

Private Equity

Commodities/Currencies



# ASSET MANAGERS AND INVESTORS SURVEY



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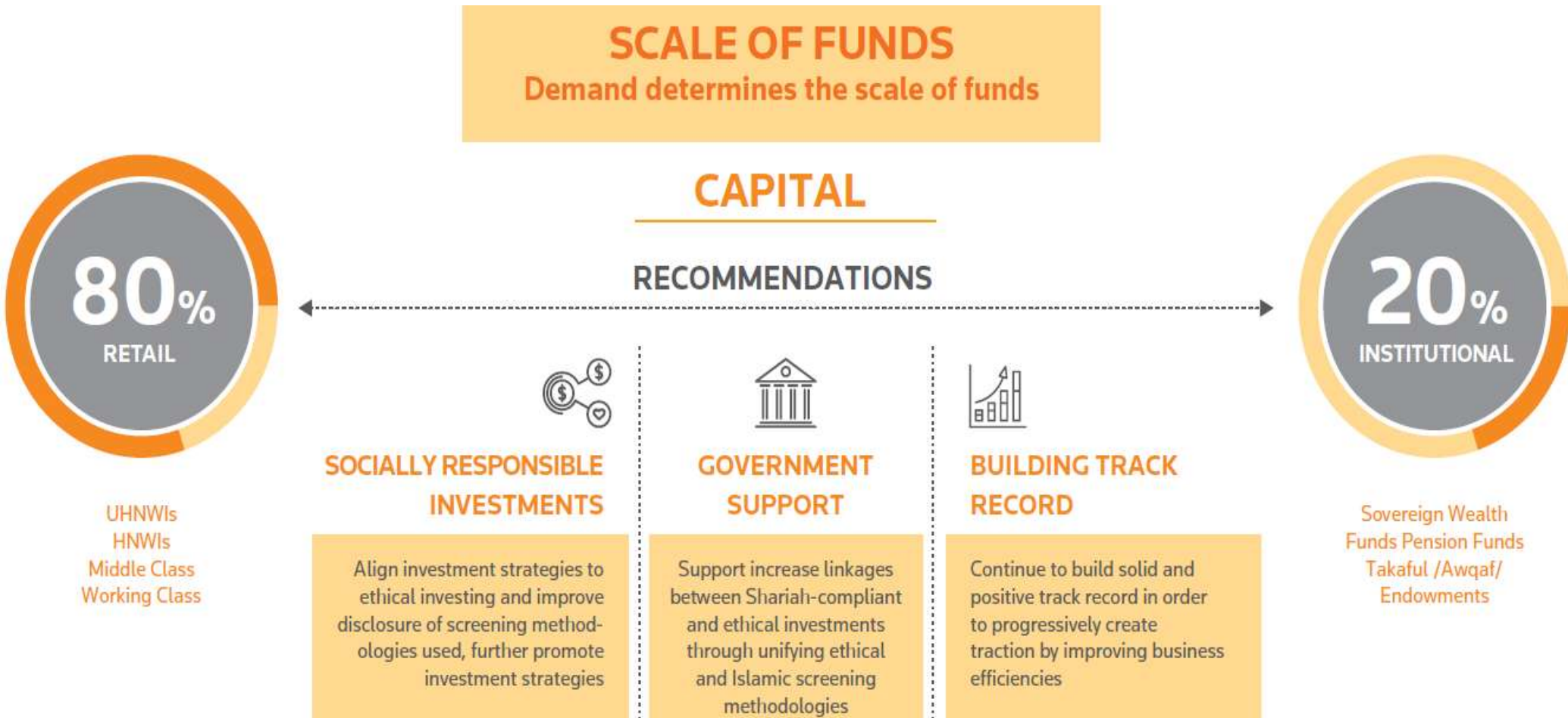
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# Uneven scale and huge growth opportunities for assets under management is due pending shift in investor base



# Availability of expertise, distribution networks, compliance with new regulatory requirements are the main concerns for investors and managers

## Survey analysis: market challenges

Compliance with new legal/regulatory requirements	16%
Finding new investment opportunities	13%
Availability of expertise	13%
Process efficiency and quality management	10%
Market conditions	9%
Others	39%

## What is the most important factor when selecting a jurisdiction for establishing or launching Shariah-compliant funds?

32%

20%

20%

16%

13%

Supportive Shariah compliant funds ecosystem

Regionally Integrated regulations

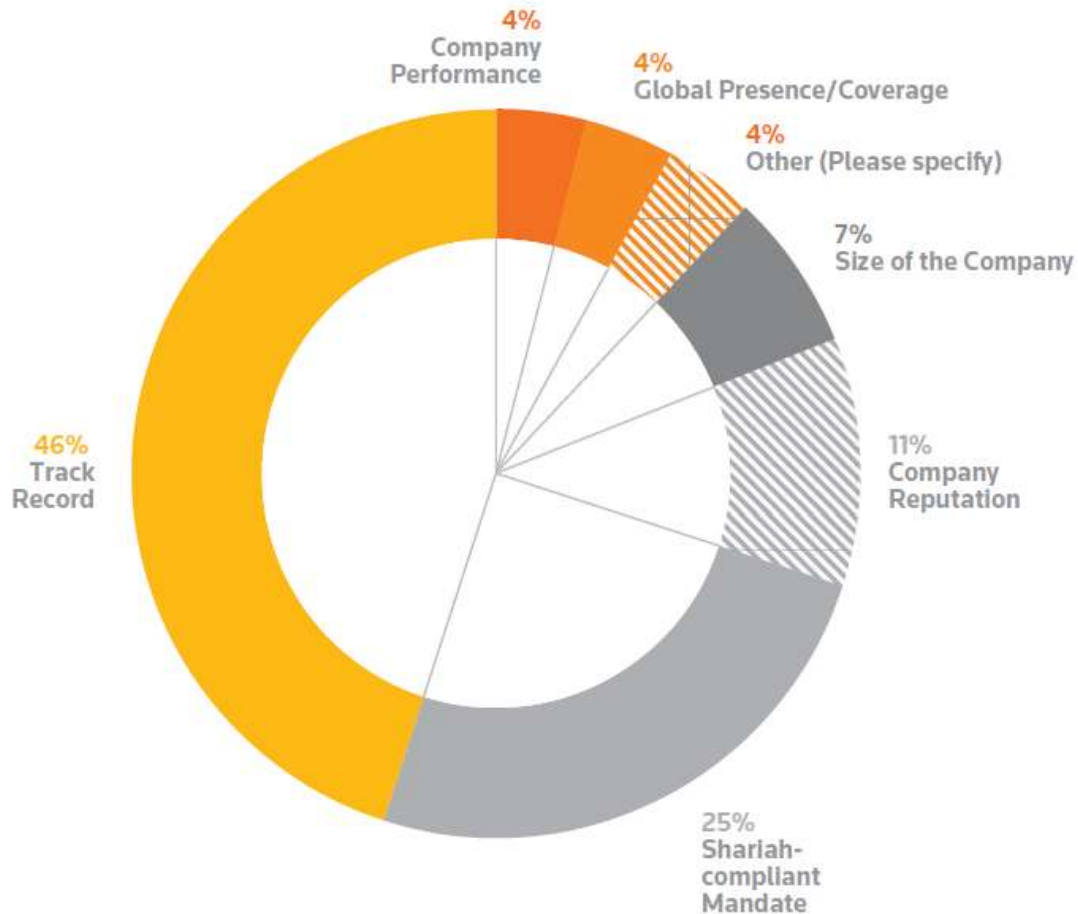
Favourable or equal treatment within regulatory and tax system

Free movement of capital

Favourable economic conditions

# Track record, shariah-compliant mandates are key factors for investors when selecting asset managers

What is the most important factor when selecting an asset management company for your investments?



What is your most preferred sales strategy for Shariah-compliant funds?

- 1 Banks
- 2 Self-directed
- 3 Financial advisories
- 4 Brokers





**The Islamic asset management industry stands on the edge of a number of fundamental shifts that will shape the future of the industry**



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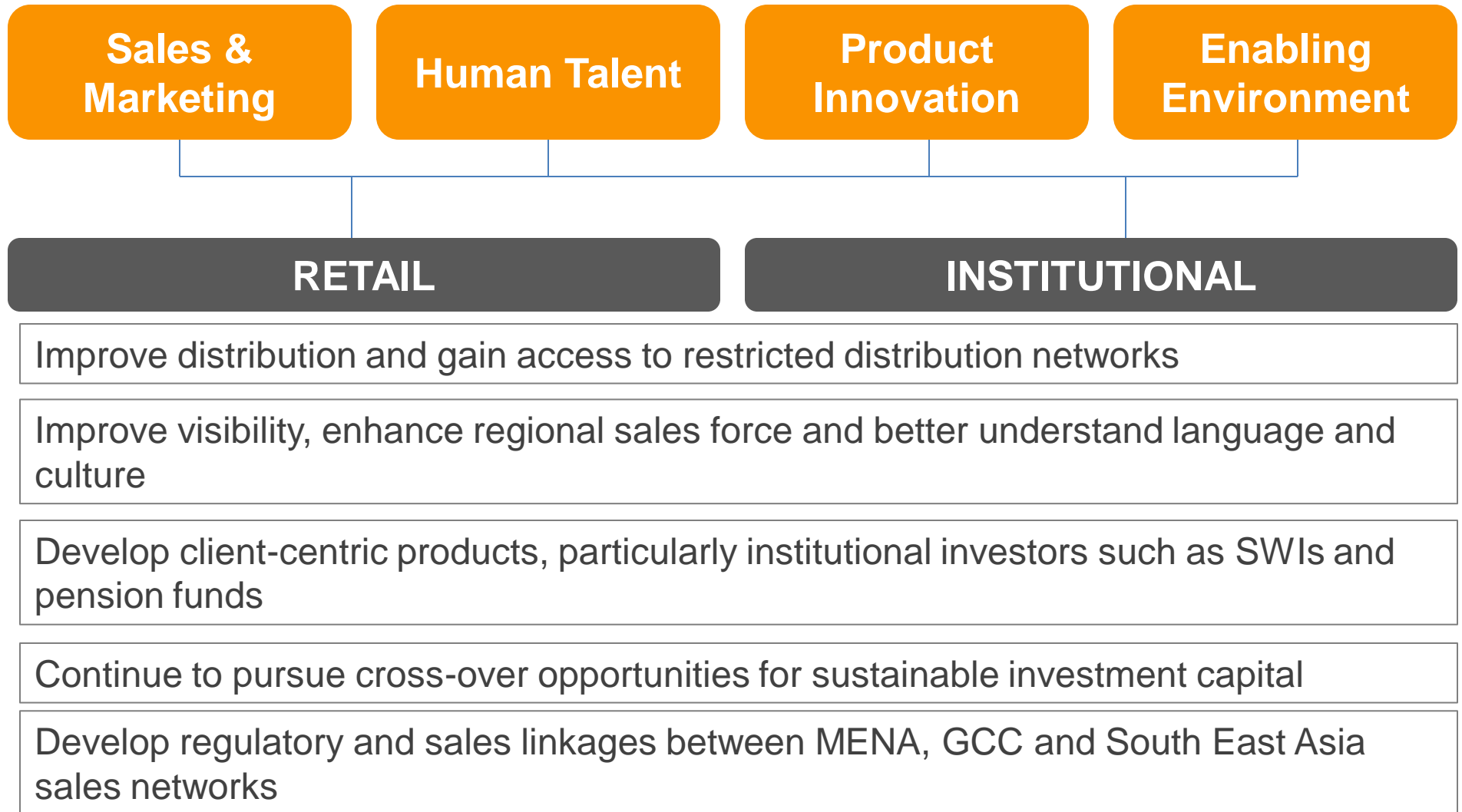
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# A comprehensive solution approach is imperative to overcome industry challenges and channel capital flows into asset managers





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