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**Opportunity abounds in Islamic market**

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Islamic investing remains a largely untapped market, with few advisors familiar with how it works. Leaders in the Islamic finance industry must do a better job educating advisors about the role the religion plays in investment decisions, Yusuf DeLorenzo told attendees of the Islamic Finance World conference in Toronto yesterday.

"How many people understand that we look at money differently? To us money is a measure," DeLorenzo explains. "From a conventional perspective, money is a commodity that is traded, bought and sold. We on the other hand use money to gauge value but give money no intrinsic value of its own."

He adds that Muslims consider credit and lending a basic human right — a charitable act, if you will. "We don't consider it a business activity. It's a quite different mindset."

More than 600,000 Canadians practise the Muslim faith. But many are not aware of alternative investing practices that adhere to the Koran morals and values. One study presented to conference attendees estimated that while only 5% of Islamic investors are "puritans" (those who invest in products that adhere absolutely to the Koran) more than half would prefer to invest to Islamic finance products — a ripe opportunity.

"Every Muslim is interested in knowing what the investment alternatives are," explains Suhail Ahmad, president and managing director at Toronto-based Ittihad Securities, an investment bank that helps high-net-worth clients invest their capital directly into projects.

"As an advisor, one of the best tools we have is the ability to provide alternatives to our clients," Ahmad adds. "You don't have to be an expert in Islamic finance, but you have to understand the basic principles and be able to work with a firm who will work with your clients."

Ahmad notes Muslims will not invest in alcohol, tobacco and pornography, to name a few restricted industries. This is not an overly different philosophy from clients who prefer socially responsible investments, for instance.

In fact, Ahmad sees Islamic finance as simply another form of SRI. However, unlike SRI products, Islamic financial products make money through company profits. This is because Islamic investors cannot invest in any financial products that pay interest.

"We adhere to the SRI criteria, but we add the additional component of avoiding interest," says Ahmad.

Islamic product offerings include the sukuk. A sukuk is an Islamic bond that raises capital, and the sukuk holder receives a return based on company profitability. "So although the sukuk holder has collateral in terms of assets, they don't own any specific rate of return," Ahmad explains. "The advantage for the company is they are not burdened by interest rate liability. There is a ramp-up stage, so profitability won't be as high in year two as it is in year four or five."

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More than 80% of his clients are Muslims, but he notes two of his largest deals are with non-Muslims. "They liked our model because it was attractive from a business sense. They liked that they were not burdened by interest as a fixed cost."

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