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Islamic funds industry to gain from ASEAN advantage

IFN previously discussed the potential seismic change the implementation of the ASEAN CIS Framework — a fund passporting scheme similar to Europe's UCITS platform — could bring to the Islamic funds industry (See IFN Report: 'ASEAN CIS: A much-needed impetus for regional Islamic cross-border fund activities') during which we highlighted Malaysia's prime position to lead the development and internationalization of the Shariah funds segment. True enough to our predictions, VINEETA TAN writes that the country, which is also the world's largest market for Islamic funds (along with Saudi Arabia), is the first among its neighbors to further the Islamic finance agenda by leveraging this infrastructure to tap not only the ASEAN region but also that of Greater China.

Maybank Asset Management (Maybank AM) and Maybank Islamic Asset Management have launched the Maybank

Bosera Greater China ASEAN Equity-i Fund, the first Shariah compliant fund to be introduced under the ASEAN passport scheme. Offering investment opportunities across three different classes in two different currencies (Malaysian ringgit and US dollar), the open-ended fund gains both retail and institutional investors exposure to the emerging markets of Southeast Asia and China.

"We will maintain a minimum of 35% of the fund's net asset value each to Greater China and ASEAN equities markets, while between 2% to 30% will be invested in Islamic liquid assets including Islamic money market instruments as well as placement in Islamic deposits for liquidity purposes," explained Nor' Azamin Salleh, CEO of Maybank AM Group, on the fund's investment strategy.

The fund is a culmination of the partnership between Maybank AM and Hong Kong's Bosera International,

a subsidiary of Shenzhen-based Bosera Asset Management, and is expected to realize 7-12% in returns yearly on a three-year rolling basis.

With an estimated Muslim population of over 23 million, which is bigger than that of Malaysia and the UAE combined, and paired with the fact that it is the world's fastest-growing major economy (and largest after the US), China presents a compelling and lucrative proposition for Islamic investments; and the economic giant in recent years have taken note of its own potential and the opportunities Shariah dollar would bring. Apart from the landmark sovereign Sukuk issued by Hong Kong last year (with another one in the making), Chinese brokerage Southwest Securities also forged a partnership with Qatar International Islamic Bank through which the bank will mobilize efforts (including designing an Islamic finance framework) to develop the Shariah financial industry in China.