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CIBC WOOD GUNDY  
KHALED SULTAN

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Contact us

 255 Queens Avenue Suite 2200 London ON, N6A 5R8

 (519) 660-3753

 Email us

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## HALAL INVESTING

AN INVESTMENT STRATEGY ALIGNED WITH YOUR VALUES

Halal Investing is Now a Reality



In ever-increasing numbers, Canadian investors have started looking beyond the bottom line on their investments to the ethics and impact of the underlying companies that drive their returns. Many Canadians have implemented responsible investing plans that mirror their personal ethical or religious values. Halal Investing is a subset of Socially Responsible and Ethical Investing based on investments that adhere to Islamic principles.

Halal Investing and Socially Responsible Investing (SRI) both look deep into the companies held in a portfolio or a fund, to evaluate their social, political or environmental impact. While most people associate this type of discipline with environmental concerns, a responsible investor may avoid companies which do business in countries with questionable human rights records, or have corporate governance policies that are not in line with the investor's morals. Companies that produce certain products may also be rejected. Addictive products and services, such as tobacco, alcohol, or gambling are eliminated.

Halal Investing is Socially Responsible in its avoidance of particular products and industries, but its adherence to Islamic principles extends to avoiding interest-bearing or highly-leveraged vehicles. The complexities of many investment vehicles, combined with the vast scope of many large companies, make it difficult to ascertain whether an investment is compliant without the help of a qualified advisor.

## A Good Idea in a Perfect World?



In its early days, SRI and other restricted strategies such as Halal Investments came under fire for being a good idea in a perfect world, but naysayers predicted poor returns for such portfolios. Worries about limited investment choices affecting the diversity of one's portfolio, combined with the biased notion that irresponsible operations are automatically more profitable, led to predictions of poor returns for this style of investing.

Fortunately, that dire prediction has not come true. Cultural and political shifts continue to drive companies towards ethical and socially responsible practices. The increasing popularity of responsible investing itself may be changing companies' behaviour as they strive to maintain a solid base of investors. These changes, and consumer demand for ethical investment options, mean that the responsible investor has far greater choice than ever before, and a highly competitive portfolio can be a reality. The empirical evidence is starting to pile up; Socially Responsible and Halal Investing can generate returns as good, or better, as traditional approaches. In fact, as regulations and legislation progress, companies who practice Social Responsibility may prove to have the jump on their competitors.

While Halal Investing is the perfect solution for anyone conscious about the source of their investment returns, assembling a well-diversified and compliant portfolio can be a challenge, as complex investment vehicles may conceal non-compliant practices, and any company held in a portfolio must be fully assessed so that aspects of the company's

business dealings are accounted for. Investors who wish to pursue a Halal Investing strategy should work with an experienced advisor with knowledge of Islam and Halal restrictions.

## I Specialize in Halal Investments and Sharia Compliant Investing

I focus on Halal Investments. Criteria used in screening out non-compliant vehicles include those outlined by the Shariah Supervisory Boards of the Dow Jones Islamic Market Index and S&P Shariah Indices. These are Islamic scholars who interpret business issues and recommend actions related to business decisions for the indices they supervise. They include scholars like:

- Dr. Abdul Sattar Abu Ghuddah, Syria
- Dr. Nizam Yaquby, Bahrain
- Dr. Mohamed A. Elgari, Saudi Arabia
- Shaykh Yusuf Talal DeLorenzo, United States
- Dr. Mohd Daud Bakar, Malaysia
- Dr. Muhammad Ali Elgari, United States
- Dr. Nazih Hammad, Canada
- Dr. Mohammad Amin Ali-Qattan, Kuwait

Non-compliant investments are filtered based on both industry as well as financial ratios. Companies predominantly involved in industries associated with alcohol, entertainment, financial services, pork, tobacco, or gambling are eliminated. Financial ratios are also used to establish compliance with Halal principles, including those of debt, cash & equivalents, and account receivables, each in relation to a company's market capitalization. Ratios beyond a third signal non-compliance.

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