

# Halal investment options expand for Muslim clients

Demand ‘through the roof’ for wealth offerings that align with Islamic principles

By: Noushin Ziafati | March 10, 2025 | 11:16



*ipopba*

Noushin Ziafati

In 2012, Danish Baig started his first job out of university and began saving enough money to invest. But he soon realized that most conventional investment options, including his company’s group retirement savings plan, didn’t align with his religious values.

Baig, a Muslim Canadian, couldn't find "halal" or permissible investments that align with Islamic principles.

"There was nothing really out there on the market that was suitable and accessible," Baig said in an interview from Calgary. "For the first couple of years, I was mainly just invested in physical gold. And that seemed to be an asset preservation vehicle."

Today, he's pleased to see more halal investment products and services in Canada that offer more opportunities for wealth creation and growth. He invests in stocks and ETFs that comply with shariah law — the religious law of Islam, derived from the Qur'an.

Yet Baig and Islamic finance experts in the country say there is a long way to go to meet the growing demand for halal investing products and services in Canada, with around 1.8 million Muslims representing billions of untapped investment dollars.

"There is a demand, and there's a need for it," said Hash Assad, a Calgary-based executive financial consultant with Assad Wealth Management, which operates under IG Wealth Management.

## What is a halal investment?

For an investment to be considered halal, it must go through a few levels of compliance identified by Islamic scholars and bodies such as the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Assad described the first level as a process that filters out investments in things that are "haram" or prohibited under Islamic law. This includes alcohol, tobacco, weapons, pork, gambling and pornography.

The second level involves "looking at the guts" of companies, he said. As AAOIFI guidelines set out, companies are disqualified if their debt levels exceed 33% of their market value or more than 5% of their revenue is derived from haram activities.

"One of my favourite stocks of all time is Costco, but I can't buy it," Assad said, noting the retailer's alcohol sales represent more than 5% of its revenue. There is also a so-called dividend purification ratio that identifies the percentage of an investor's dividend income generated from haram sources that must be purified (donated to charity) to comply with Islamic principles.

Further, halal investing filters out derivatives, options and futures trading, and prohibits earning or paying interest, so conventional bonds and debt instruments are off the table.

Sukuks, or Islamic bonds, are a shariah-compliant alternative to conventional bonds. In essence, they're hybrid instruments that combine equity (shares in ownership of an underlying asset or project) and debt features (fixed periodic payments and coupon payments).

Halal investing is similar to responsible investing in that they both align investment choices with moral principles, said Sameer Azam, portfolio manager and wealth advisor with RBC Dominion Securities Inc., in Mississauga, Ont.

Azam also stressed that it's not exclusive to Muslim investors. "It's available for anybody, because the principles are very universal."

## Demand for shariah-compliant products, services

According to [Morningstar data](#), global shariah-compliant assets doubled to \$60.4 billion in February 2023 from \$30.3 billion in February 2013, though the research firm said this is likely an underestimate because some investment vehicles didn't report assets under management. The number of compliant mutual funds and ETFs also more than doubled in that period — to 669 from 327.

A lot of progress has been made over the past two decades to increase investor awareness and access to halal investing products and services in Canada. The country has welcomed shariah-compliant investment funds from the likes of [Wealthsimple](#) and [Mackenzie Investments](#), halal portfolios from firms including [Manzil](#) and ShariaPortfolio Canada Inc., and halal financial planning services from big banks and wealth management firms such as Canadian Islamic Wealth and IG Wealth Management. Also, the 2024 federal budget included plans to expand access to halal mortgages.

The demand for these products and services was "OK at the beginning, but now it's through the roof" as more practising Muslims become aware of the options, said Assad, who for 20 years has been a driving force of Islamic finance in Canada. It's why he wants to bring more halal investing products to market and expand his wealth management team to serve more Muslim clients.

"If you're advising the wrong thing, you're compromising that individual's literal being. It's literally heaven or hell." — Hash Assad

This growing demand has been fuelled by a rise in Canada's Muslim population, said Mohamad Sawwaf, founder and CEO of Toronto-based fintech and halal financial services provider Manzil, launched in 2020. Two per cent of Canada's population (580,000 people) identified as Muslim in 2001, growing to 4.9% — roughly 1.8 million people — in 2021, Statistics Canada reported.

Sawwaf said the market is so big it's not possible for just one firm like Manzil to serve it.

“There's multiple institutions that can create products to service this clientele, and then, of course, you create competition, which leads to more innovation, and it's good for the consumer, right?” he said.

Manzil, which offers shariah-compliant mortgage financing, has a waiting list for more than \$10 billion worth of mortgage financing, but Sawwaf reckons the potential demand for this alternative lending product is likely much higher.

His company has expanded over the years, acquiring Canadian Islamic Wealth, a wealth management firm dedicated specifically to halal investing, and Muslim Will, a halal digital wills platform. It will soon enter the U.S. market, following its recent acquisition of Aghaz Investments, a U.S. Securities and Exchange Commission-registered investment advisor.

And the company is looking to get into core banking products, such as chequing and savings accounts, among other expansion plans, Sawwaf said.

“The Islamic finance industry is so nascent ... that everything is still an opportunity,” he added.

Azam agreed, saying Islamic finance in Canada is still “being built out.”

Shariah-compliant fixed-income options are particularly lacking, he said, noting that there are no sukuk options in the country.

“That's where the gap is,” Azam said. Since the conventional bond market isn't an option, he said Muslim investors need to turn to stock exchanges, brokerage firms and online investment platforms in Europe or the U.S. to access sukuk bonds. “[It's] very hard. There's a very high demand and supply issue with sukuks.”

Azam also suggested there's a “huge demand” for halal wealth management services. He said his specialized team at RBC is growing to bring on more advisors with this expertise.

“It started with myself, one. Now we're four,” he said. “We feel like we're only in the early innings, but it just takes time.”

# Growing demand

Islamic finance experts pinpoint two things needed to grow Islamic finance in Canada: more education and more shariah-compliant products.

Assad delivers monthly educational webinars that cover a wide range of topics including what halal investing means, how to build an Islamic will and how to buy a home in a shariah-compliant way. He noted that this education is important because of the added responsibility that comes with advising Muslim clients.

“If you’re advising the wrong thing, you’re compromising that individual’s literal being,” Assad said. “It’s literally heaven or hell.”

Having more shariah-compliant financial products available would also help advisors recommend halal products without having to complete their own intensive due diligence work, Assad said.

“If I see that this product exists, all I have to do is grab it. It meets their needs, and that’s it,” he said.

All advisors would benefit from some sort of training or education program on halal investing so they have the tools and experience in case they come across a Muslim client, Sawwaf said.

“Canadian Muslims have a very, very strong balance sheet. They have very strong purchasing power. And you can attract tens of billions of dollars within the investment space and hundreds of billions of dollars within the mortgage space if you just have the right product, the right education to be able to advise that particular clientele.”

Azam said it makes more sense to have specialists rather than generalists focus on this space, but agreed that more education would help.

Part of this education, he said, could involve debunking myths about halal investing, such as those that suggest the investments are high risk or don’t perform well.

Data from [S&P Global](#) show that “over the long term, Islamic indices tend to perform similarly to conventional benchmarks. For the 15-year period ending July 31, 2019, the S&P 500 Shariah posted an annualized total return of 10.2%, while the S&P 500 gained 9.1%.”

“I think it’s the best kept secret, because a lot of times investors might say, ‘Well, you’re screening all this stuff out. How am I going to make money? Or how is it going to grow? How’s it going to keep up with the inflation?’ Or the myth is, ‘Oh, it’s too risky,’” Azam said.

Baig agreed.

“If you look at the halal portfolios and the sharia-compliant indices and ETFs that are out there, oftentimes you’ll see them performing better than traditional non-sharia-compliant vehicles,” he said. “And so, by investing in halal products, you’re not necessarily compromising on anything.”

### **RECOMMENDED FOR YOU:**

---

**'No free lunch': Covered call ETFs have high yields but come with a trade-off | Investment Executive**

**ETF series under scrutiny | Investment Executive**

**Vanguard Canada makes its biggest fee cut in history | Investment Executive**

**Want more content like this? Subscribe Now!**