

Ethical Investing back to basics

By : Nader Al-Khalili
Chief Investment Officer
Tharawat Investment House

Industry Development

- The Islamic finance industry has come a long way in such a short time.
- Growing and competing within a very challenging social, economic, and political environment.
- All players (whether good, bad, or ugly) venturing into this industry, will impact its development and image in one way or another.

Industry Dynamics

- The Islamic finance industry is not really about banking, nor even about finance, but about investing and taking risk.
- Regular banks operate within a simple 2 dimensional world, bound by laws and economics.
- Islamic finance institutions operate within a 3 dimensional world, bound by laws, economics, and ethics.
- Regulators face enough challenges by regulating and managing 2 dimensions, let alone finding, developing, and applying tools and techniques to regulate and manage the 3rd dimension.

Service Based Economy ?!

- Sustainable economic growth needs to go through a proper development process.
 - 1) Develop agriculture.
 - 2) Develop industry.
 - 3) Develop services.
- Avoid the temptation to copy western developed economies in their promotion of developing the services sector, while forgetting to develop the two underlying primary sectors.

Sophisticated Business ?!

- “Sophisticated” is better associated with a watch, not an industry.
- “Sophisticated Industry” = Complex and difficult to manage.
- Complexity inherently increases risk and makes risk management more difficult.
- Since we are in the process of drawing a new playing field, why complicate it, and end up needing to find solution for problems we created.

Risk Assessment and Rating ?!

- Risk assessment, from who's point of view and on what basis.

Examples: 'Corruption index', 'Country Risk', etc.

- Ratings inherently over simplify, and as a result end up misleading.
- More effort needs to be spent in developing risk assessment methods specific for Islamic finance operations, and ratings should always be used cautiously.

Direction

- Investing in real businesses, that helps drive sustainable economic growth, NOT papers.
- Investing for fair gains, NOT speculative investing for quick trade and high returns.
- Investing in the basics “food, shelter, and transport”.
- Developing relations between public sector and private sector for economic growth.

if your not a “leader” nor a “follower” then you are an “obstacle”.

Innovation

- Recruit, retain, and develop high caliber staff.

In real estate success is “location, location, location”

In private equity success is “management, management, management”

- Capture, develop, and distribute leading practices.

Many say it, some attempt it, few achieve it

Investment management through management of business operations

- Even when venturing into the common real estate sector, consider encapsulating within a sustainable business function.

- Islam promotes the need for long term planning, as if one lives forever.

“If organizations knew the true value of a real strategy, they would never disclose it.”

- Islam promotes stable gradual growth rather than unstable rapid growth.

“What really drives share price fluctuations?”

- Islam reminds us that tough times could be a blessing in disguise.

Inspiration

- We have been inspired by the efforts of those who came before us.
- We hope our efforts would inspire those who come after us.
- All for the purpose of developing this industry, to give it its due respect in appreciation of the fairness and completeness of its reference standard “Islam”.



Thank You
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Tharawat Investment House B.S.C. (c)
P.O.Box 75780, Kingdom of Bahrain
Off (+973 - 17560777)
Fax (+973 - 17560778)
Web (www.tharawat.net)