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Trading and fund management in Pakistan's Islamic asset management industry

Special Reports Muhammad Waqas Durrani 12/08/2025 0

The Islamic asset management industry is witnessing a historic transformation as Pakistan accelerates its transition toward a fully [Shariah](#) compliant financial system in line with the Federal [Shariah](#) Court's directive to eliminate interest-based finance by December 2027. MUHAMMAD WAQAS DURRANI explores.

Islamic money market

The launch of the Lucky Islamic Money Market Fund (LIMMF) was a strategic response to the prevailing market dynamics.

With investor sentiment leaning heavily toward low-risk and [Shariah](#) compliant instruments amid economic uncertainty, LIMMF offered a timely and stable investment avenue.

On the 9th April 2025, LIMMF raised over PKR50 billion (US\$176.34 million), the largest-ever IPO in Pakistan's mutual fund history, a sign of sustained trust and robust demand.



The fund's appeal was multi-layered:

- [Shariah](#) compliant structure, aligning with Pakistan's ethical finance shift
- Sponsor backing
- Attractive profit rates and daily liquidity, ideal for both retail and institutional investors

Expanding horizons

With the money market fund laying a strong foundation, the newly launched Lucky Islamic Stock Fund (LISF) is poised to deepen its presence in Pakistan's equity markets. LISF signifies a critical step from liquidity-focused offerings to long-term wealth creation vehicles rooted in Islamic principles.

LISF offers investors a diversified portfolio of [Shariah](#) compliant equities, tapping into sectors aligned with ethical and [Halal](#) business practices. The fund is designed for growth-oriented investors seeking exposure to Pakistan's capital markets without compromising their religious values.

What sets LISF apart is the same blend of strengths that fueled LIMMF's success:

- An experienced fund management team with a deep understanding of market cycles and [Shariah](#) screening.
- Rigorous compliance with [Shariah](#) guidelines, overseen by qualified scholars.
- The same institutional backing and governance framework that earned rating with a positive outlook from the **Pakistan Credit Rating Agency**.

Industry implications and investor democratization

While 86% of the initial LIMMF subscriptions came from institutional investors, 14% were retail investors – many of them first-timers. This represents a meaningful shift in Pakistan's investment culture, traditionally dominated by conventional instruments and limited retail participation.

The effort holistically from industry standpoint is an inclusive approach for encouraging a new generation of investors to explore mutual funds through a [Shariah](#) compliant lens – fostering both financial literacy and religious integrity.

This development is significant in a country where overall investment penetration remains extremely low. According to estimates, less than 1% of Pakistan's population actively participates in mutual funds, despite the rising need for long-term financial planning in a high-inflation environment. The Islamic mutual fund segment can play a vital role in channeling household savings into productive investments – especially among individuals who were previously financially excluded due to religious concerns about Riba.

Looking ahead

Although current investment universe is Pakistan-centric, the management is actively exploring options for global opportunities and innovations. This reflects a prudent yet ambitious vision – to provide diversified Islamic investment opportunities both locally and, eventually, internationally.

For now, however, the focus remains on unlocking the untapped potential of Pakistan's Islamic capital market, particularly in sectors aligned with the country's economic development and faith-based values.

Globally, the Islamic finance industry has crossed the US\$3 trillion mark. As ESG investing gains traction, Shariah compliant investing has found broader appeal – rooted in its prohibition of unethical sectors and speculative practices. This convergence of values creates new pathways for Pakistan-based funds to eventually connect with international capital, provided they maintain robust governance and transparency.

Pakistan's shift to a fully Islamic financial system also comes at a time when the country faces macroeconomic constraints – from a widening fiscal gap to low domestic savings. Islamic asset management, if scaled inclusively, can help bridge this savings-investment gap by mobilizing faith-aligned capital into the formal sector, while offering individuals tools for long-term wealth building.

Conclusion

The above initiatives are a few endeavors to aid the overall industry in becoming a catalyst in Pakistan's Islamic finance transformation. This is even more prudent and essential given the fast-approaching deadline for 100% complete Islamic conversion of Pakistan's entire financial system by the 1st January 2028 from the 26th Amendment passed by the Parliament.

As Pakistan moves toward a Riba-free economy, Islamic asset managers are proving that ethical finance is not just morally sound – it is commercially viable, strategically relevant and here to stay.

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