

LSEG ISLAMIC INVESTMENT REVIEW 2025

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Executive summary

Islamic investment market size

\$1 trn

outstanding sukuk value

\$40 trn

Shariah-compliant market cap

\$223 bn

Islamic funds total value

Global Islamic financial markets solidified their position as a **multi-trillion-dollar ecosystem**. Their growth in 2025 was anchored by a 37% surge in Islamic fund value and the sukuk market surpassing the \$1 trillion milestone, achieved despite a challenging macroeconomic environment. This expansion was underpinned by three key drivers: persistent sovereign and corporate funding needs across the GCC and ASEAN regions, a historic performance boom in equity and commodity markets, and increasing participation from conventional international investors seeking higher yields and structural diversification.

Looking ahead to 2026, the near-term landscape is defined by a divergence in asset class behaviour. While medium-term growth drivers remain broadly intact, the immediate horizon is tempered by heightened geopolitical tensions and macroeconomic volatility. Sukuk markets are expected to maintain relative resilience, sustained by sovereign funding needs and deepening international liquidity seeking competitive yields. Conversely, Shariah-compliant equity portfolios are expected to face continued volatility, given their structural sensitivity to US mega-cap technology and broader US market cycles.

The **sukuk** market extended its record-breaking trajectory in 2025 as issuance rose 14.5% to **\$291 billion**, propelled by a significant uptick in GCC corporate and quasi-sovereign issuance. Sukuk issuers have also been increasingly engaging with international capital markets, with foreign currency issuances accounting for 41% of the year's total.

ESG sukuk saw a surge in issuance, rising 54% to **\$24 billion** in 2025, driven by a broadening issuer base led by non-financial corporates and a rebound in green sukuk activity. The year was also marked by the debut of Sustainability-Linked Financing (SLF) sukuk, which represents a critical step toward more impact-focused Shariah-compliant financing.

The **Shariah compliant equity** universe reached **\$40 trillion** in value, representing around 24% of global market cap. Performance, however, remained heavily contingent on US mega-cap technology, which represented 44% of total market cap despite comprising only 10% of global constituents. While these equities maintained marginally stronger ESG profiles, sustainability leadership is currently confined to smaller markets and lower risk sectors compared with the broader universe.

Islamic funds surged to **\$223 billion** value in 2025, supported by strong market performance, particularly in US equities and precious metals, alongside a wave of new fund launches led by Malaysia. Meanwhile, **ESG Islamic funds'** performance lagged the broader universe, despite growing 17% to **\$20 billion**, due to a limited pool of eligible assets, leaving these funds concentrated in equities and sukuk.

This report provides a data-driven assessment of global Islamic investment markets in 2025, examining market size, growth and structural evolution across these asset classes. As a global financial infrastructure provider, LSEG supports the entire Islamic investment lifecycle:

- **Data & Analytics** division offers granular [Islamic market data](#), [market intelligence](#), and [trading solutions](#).
- **London Stock Exchange** is a premier global venue for [Sukuk listings](#), capturing 40% of global hard-currency sukuk listings.
- **FTSE Russell's** [Shariah compliant indices](#) provide the industry-standard benchmarking and rules-based screening necessary for institutional portfolio construction.

To access the underlying datasets and explore our full suite of Islamic finance solutions, visit the [Islamic Finance hub on LSEG Workspace](#).

Introduction

Islamic investments have evolved beyond their early, niche foundations and are an established and integral component of core Islamic finance markets. Across sukuk, Shariah-compliant equities and Islamic funds, the past decade has been characterised by deeper market infrastructure, broader issuer and investor participation, and the emergence of more sophisticated investment products.

Together, these developments have shifted Islamic investing from a largely compliance-driven offering into a credible and competitive investment proposition. As its appeal increasingly extends beyond pure Shariah compliance to investors seeking higher returns, diversification and values-aligned opportunities, new sources of demand are emerging, supporting further growth in supply and reinforcing the medium-term expansion of Islamic finance.

Sukuk: from niche to mainstream funding channel

The sukuk market has undergone a transformative decade, marked by rapid scaling, broader participation, and growing global recognition. After taking more than two decades to reach its first \$1 trillion of cumulative issuance in 2018, which surged to \$2.5 trillion by the end of 2025. A further milestone was the value of outstanding sukuk surpassing \$1 trillion in 2025, underscoring the depth and investability of the active market.

A key driver of this acceleration has been the broadening of the issuer base across both core and non-core Islamic finance jurisdictions. Saudi Arabia, in particular, has reshaped the market landscape since launching its domestic sukuk programme in 2017. By establishing a sovereign yield curve, the programme catalysed local-currency issuance, unlocked new pricing benchmarks, and encouraged greater corporate participation. Within less than a decade, Saudi Arabia emerged as the largest sukuk market globally, with the Saudi government becoming the single largest sukuk issuer.

More recently, sukuk issuance has expanded into a wider set of emerging and frontier markets, including the Philippines, Egypt, Sri Lanka, Tanzania, and Benin, as issuers seek to diversify funding sources and broaden their investor base.

Investor participation has widened in parallel. International sukuk have attracted strong subscription levels from investors across the US, Europe, and Asia, drawn by relatively high yields, structural transparency, and comparatively stable risk-return characteristics.

The **London Stock Exchange** is a leading international venue for sukuk listings, offering issuers deep market visibility and access to a globally diversified investor base. By the end of 2025, more than \$202 billion has been raised through 285 sukuk listings on the London Stock Exchange across both the **Main Market and the International Securities Market**, reflecting the Exchange's longstanding role in supporting Islamic capital-raising activities.

Listing on the London Stock Exchange offers strong incentives for issuers, particularly through enhanced investor diversification, attracting a broad mix of global investors.

In 2025, there were 85 sukuk issuances on the London Stock Exchange raising over \$56 billion, of which \$6.3 billion was issued through green, social, and sustainability sukuk. The London Stock Exchange was named the largest listing venue for hard currency sukuk worldwide, capturing over 40% of global dollar-denominated listings. It continues to host a steady flow of landmark sukuk transactions from key sovereign, quasi-sovereign and corporate issuers, as well as multilateral institutions, including repeat listings from the Islamic Development Bank.

FTSE Russell has developed a comprehensive suite of Shariah equity indices designed to support both international and domestic Islamic investment needs.

The **FTSE Shariah Global Equity Index Series**, covering developed and emerging markets, offers a broad, rules-based and transparently screened universe that enables asset managers to build Shariah-aligned portfolios with global reach.

These indices are developed in partnership with leading Shariah scholars, ensuring that screening methodologies remain aligned with recognised Shariah investment principles and kept up to date with market practice.

The **FTSE Russell Shariah index** family continues to serve as the foundation for a wide range of investment products and remains a core benchmarking and performance measurement tool for institutional investors seeking Shariah-compliant equity exposure. London Stock Exchange lists several Shariah-compliant ETFs tracking FTSE Islamic indices, reflecting their continued relevance and global adoption.

Shariah-compliant equities: scale, structure, and global market integration

Shariah-compliant equities represent the largest pool of investable assets within the Islamic finance ecosystem and underpin a substantial share of Islamic fund allocations. Unlike sukuk, which are purpose-built financial instruments, Shariah-compliant equities are drawn from the global equity market through the application of screening criteria to listed companies.

Shariah compliance for equities is assessed at the company level, based on business activities, capital structure, and financial practices. This approach defines the eligible universe by excluding certain sectors and companies that fail Shariah screening thresholds. As a result, investing in Shariah-compliant equities is closely tied to broader equity-market dynamics, with performance shaped by company fundamentals, sector trends, and market conditions.

Demand for Shariah-compliant equity exposure has increased steadily in recent years. Growth has been driven by institutional investors and a broadening retail investor base seeking access to ethical and faith-aligned investments. In response, index providers, asset managers, and exchanges have expanded and refined Shariah-screening frameworks, supporting the development of diversified and scalable investable universes across regions.

Islamic funds: robust growth despite limited investable universe

Islamic funds have continued to grow steadily in recent years, but they remain a relatively small segment of the broader Islamic finance ecosystem, accounting for around 5% of global Islamic finance assets. Growth has been most visible in the expansion of fund offerings: over the past five years, the market has seen an average net increase of 140 funds annually, reflecting rising investor interest.

Despite this expansion in fund numbers, the market remains characterised by small fund sizes. As of the end of 2025, funds with assets under \$10 million and under \$1 million accounted for 56% and 21% of active Islamic funds, respectively. This highlights a longstanding structural constraint—the limited supply of investable Shariah-compliant assets. Strict screening requirements and a relatively narrow pool of eligible securities continue to restrict portfolio diversification and limit the ability of funds to scale.

Against this backdrop, Shariah-compliant equities continue to dominate the asset allocation of most Islamic funds. However, the rapid expansion of sukuk is beginning to alter this dynamic, with a growing scope for sukuk-focused funds to scale, potentially reshaping allocation patterns within Islamic funds.

SUKUK



Record sukuk issuance underpinned by GCC funding needs as demand beyond traditional investors gains momentum

The global sukuk market continued its record-breaking momentum in 2025, with total issuance reaching \$291 billion, reflecting a 14.5% annual increase. This growth demonstrates the resilience of the sukuk market in a challenging global economic climate marked by elevated interest rates, weak global growth, and subdued conventional bond issuance.

Growth in 2025 was driven primarily by a surge in GCC-based issuance, reflecting the impact of prolonged lower oil prices and persistent global economic uncertainty, which intensified fiscal pressures across the region. This was particularly evident in Saudi Arabia, which, despite moderating the scale of its sovereign issuance, continued to rely on sukuk to meet budgetary and liquidity requirements.

Sukuk continued to offer an increasingly attractive funding channel for issuers and a differentiated opportunity for investors seeking returns, stability, and diversification. Demand beyond the traditional Shariah-compliant investor base has become an increasingly important driver of issuance growth, fuelled by yield hunting and a growing appetite for diversified emerging-market fixed-income exposure. This wider demand is reflected in oversubscribed order books, which have allowed issuers to secure better pricing and execute larger deals.

Sukuk historical issuance
USD million | 2021-2025



Source: LSEG Workspace

Global sukuk issuance grew by

14.5% year-on-year in 2025
10% CAGR during 2021-2025

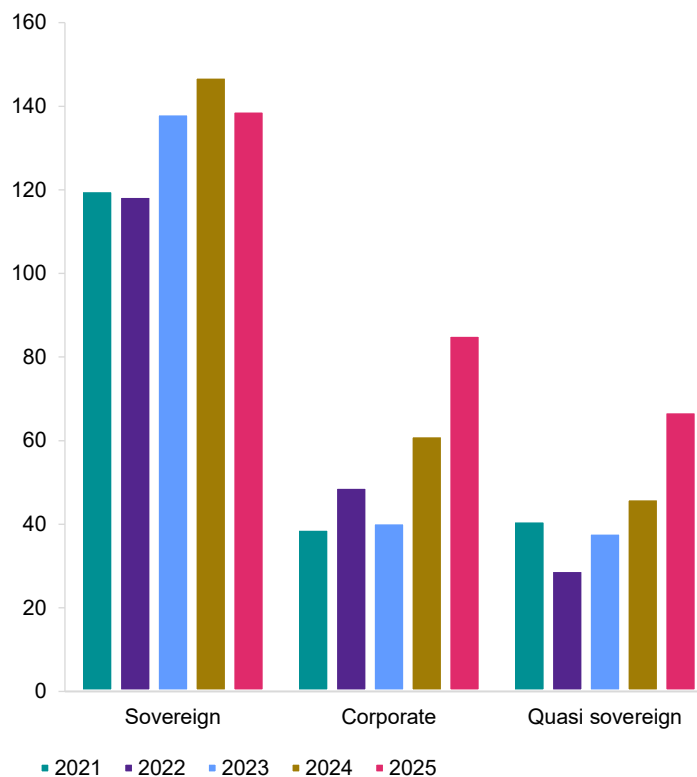
Government issuance remains dominant, while corporate and quasi-sovereign activity accelerates

Governments remained the primary driver of sukuk issuance in 2025, accounting for 48% of total value despite a 5% decline from 2024. Their overall contribution fell by 10% as the Saudi government moderated its issuance activity. Even so, the Saudi government remained the largest single issuer, raising \$37.1 billion in 2025 to support borrowing amid ongoing fiscal and liquidity pressures.

Meanwhile, quasi-sovereign issuance grew by 45% during the year, driven largely by multilateral institutions including the Islamic Development Bank and IILM, as well as sovereign wealth funds such as PIF and Mubadala. Together, they accounted for 50% of total proceeds. State energy and utilities companies represented the second-largest share.

Corporate issuance rose by 40% year-on-year, supported by GCC banks raising regulatory capital, which made up one-third of the total. Real estate, utilities, and logistics companies continued to dominate non-financial corporate activity.

Sukuk issuance by issuer type
USD billion | 2021-2025



Source: LSEG Workspace

Top 10 issuers of sukuk
FY 2025

	Issuer	Amount issued USD billion	Share
1	Saudi Arabia Govt	37.1	12.7%
2	Malaysia Govt	25.2	8.6%
3	Indonesia Govt	23.5	8.1%
4	IILM	22.9	7.8%
5	Pakistan Govt	10.3	3.5%

Source: LSEG Workspace

Established sukuk hubs expand issuance as emerging markets deepen participation

Sukuk issuance from Malaysia-based entities rose by 12% in 2025, supported by the upsizing of the IILM’s sukuk programme, which aimed to meet surging global demand for high-quality, short-term Islamic liquidity instruments and to strengthen cross-border liquidity management.

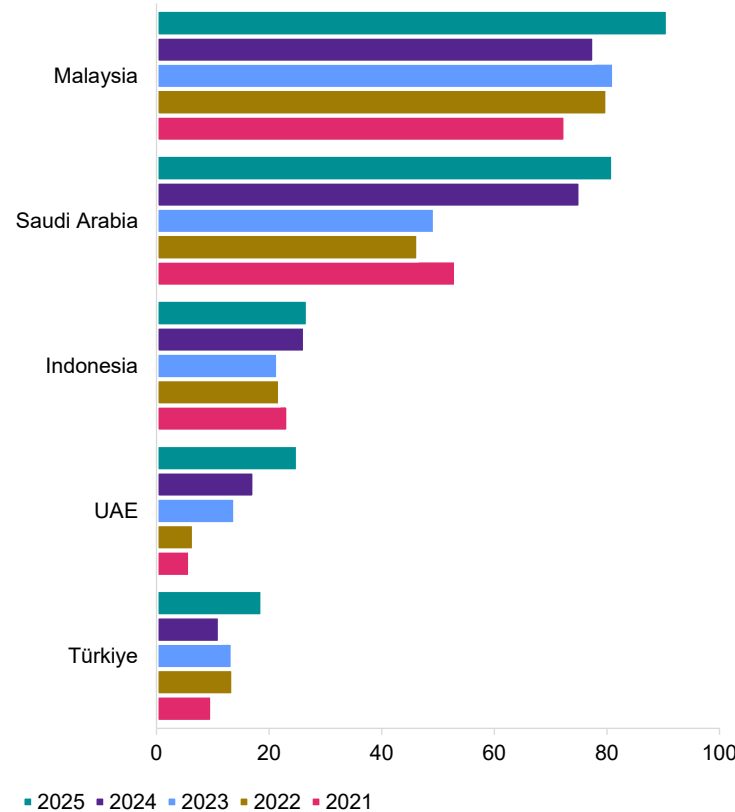
Meanwhile, issuance from UAE entities increased by more than 42% year-on-year, driven by corporate borrowing needs and reduced uncertainty following the suspension of AAOIFI Standard 62’s release. Issuance from Türkiye jumped 67%, supported by higher levels of sovereign borrowing.

Egyptian sukuk issuance also saw a notable rise, with three sovereign issuances raising \$2.8 billion across domestic and Eurobond markets, alongside a handful of smaller corporate transactions.

Issuance across Africa remains modest but shows signs of broadening. There has been a consistent, although small, presence from issuers in Nigeria, Tanzania, Gambia and South Africa over the past five years. Looking ahead, a growing pipeline is emerging, with several African governments announcing plans to issue sukuk in 2026, including Benin, Algeria, Nigeria and Senegal.

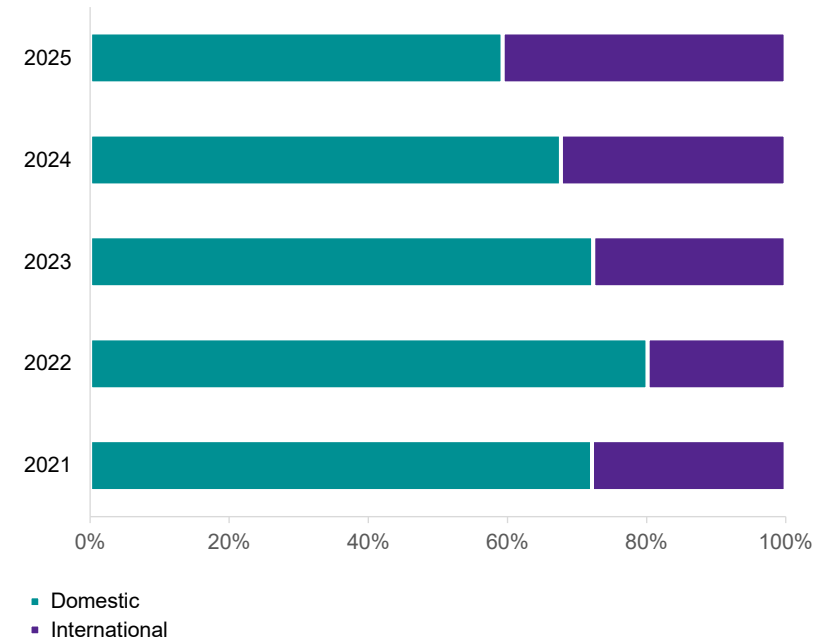
The share of sukuk issued in international markets increased to 41%, up from 32% in 2024, reflecting a significant rise in GCC corporates and quasi-sovereigns tapping strong demand in Eurobond markets. This shift was driven by yield hunting and stronger investor appetite for emerging market debt.

Leading countries by sukuk issuance
USD billion | 2021-2025



Source: LSEG Workspace

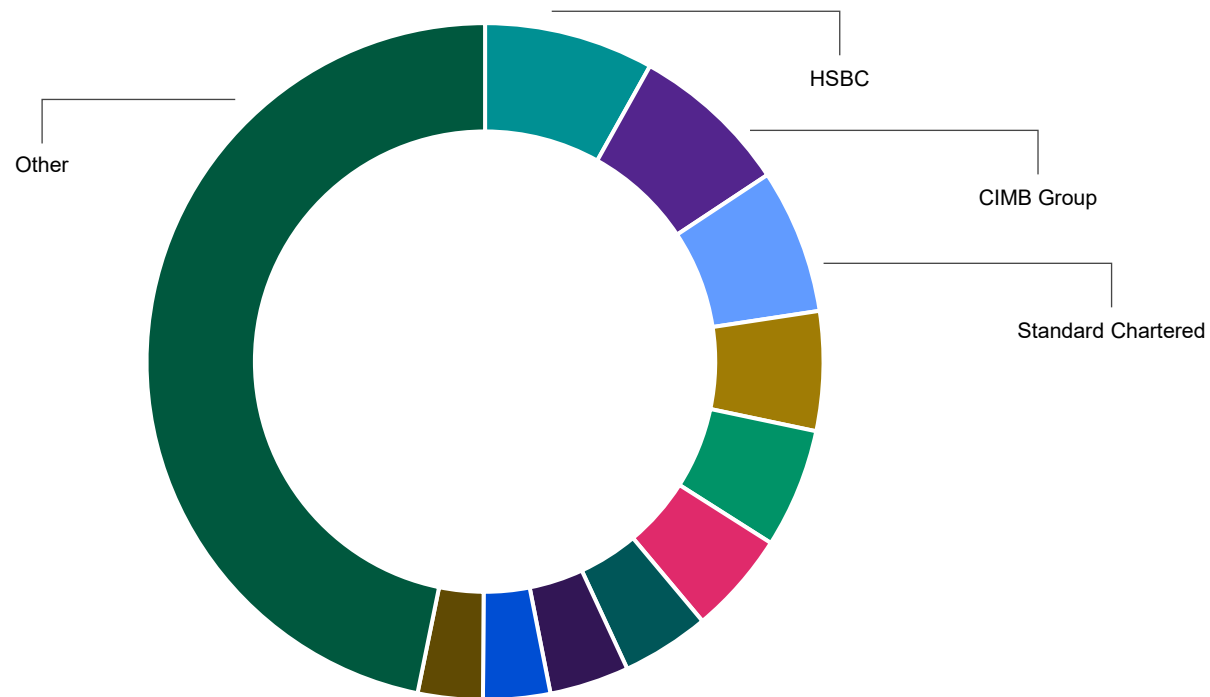
Sukuk issuance by market
% of total issuance | 2021-2025



Source: LSEG Workspace

Sukuk managing underwriters

Sukuk managing underwriters by market share
FY 2025



Source: LSEG Workspace



Saudi Arabia becomes the largest sukuk market as global value outstanding surpasses \$1 trillion

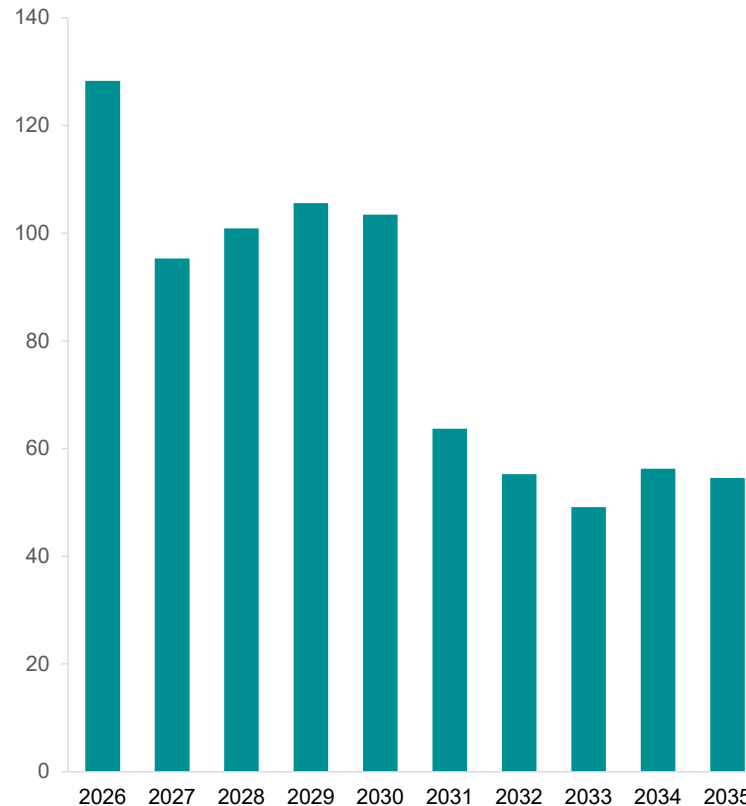
The global sukuk market surpassed \$1 trillion in value outstanding in 2025. Debt refinancing remains a key driver of sukuk issuance, with nearly half of all outstanding sukuk set to mature by the end of 2030, and 75% due by 2035. Notably, \$128 billion of sukuk are scheduled to mature in 2026 alone, underscoring the scale of refinancing needs ahead.

The ten largest markets—the GCC, Malaysia, Indonesia, Türkiye and Pakistan—continue to dominate global sukuk activity, making up 98% of total value outstanding, with nearly half attributable to GCC markets.

This structure will likely persist given the strong and sustained momentum in Saudi Arabia, Malaysia and the UAE. However, increasing issuance from smaller and newer markets, particularly in Africa, is gradually adding pockets of more diverse and higher-yielding exposure.

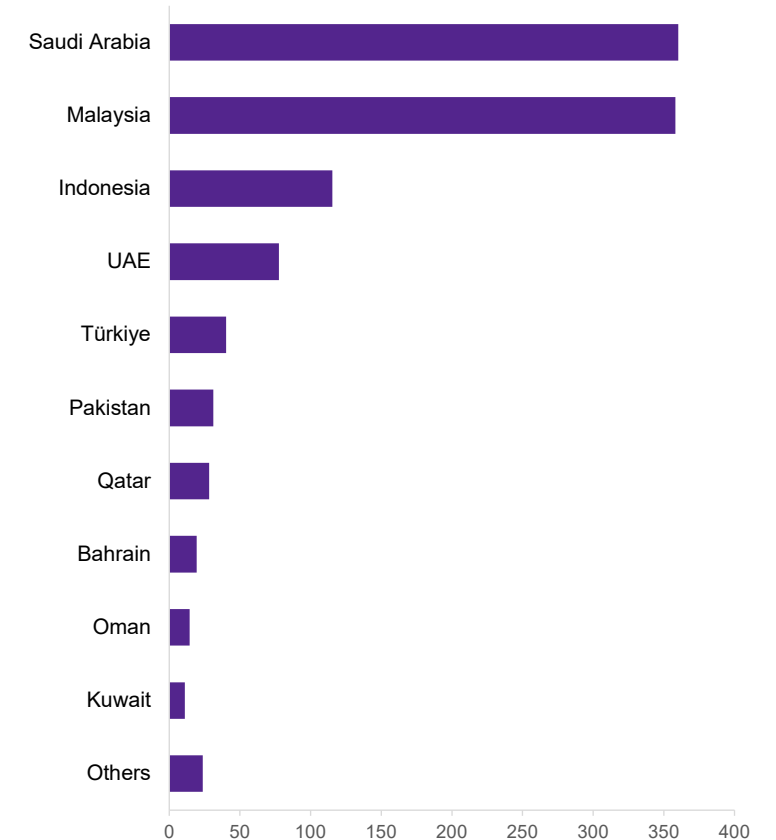
By the end of 2025, Saudi Arabia became the world’s largest sukuk market in terms of value outstanding for the first time. Combined, Saudi Arabia and Malaysia account for around two-thirds of global sukuk outstanding.

Sukuk maturity profile over the next decade
Value outstanding, USD billion | YE 2025



Source: LSEG Workspace

Sukuk outstanding by country
USD billion | YE 2025



Source: LSEG Workspace

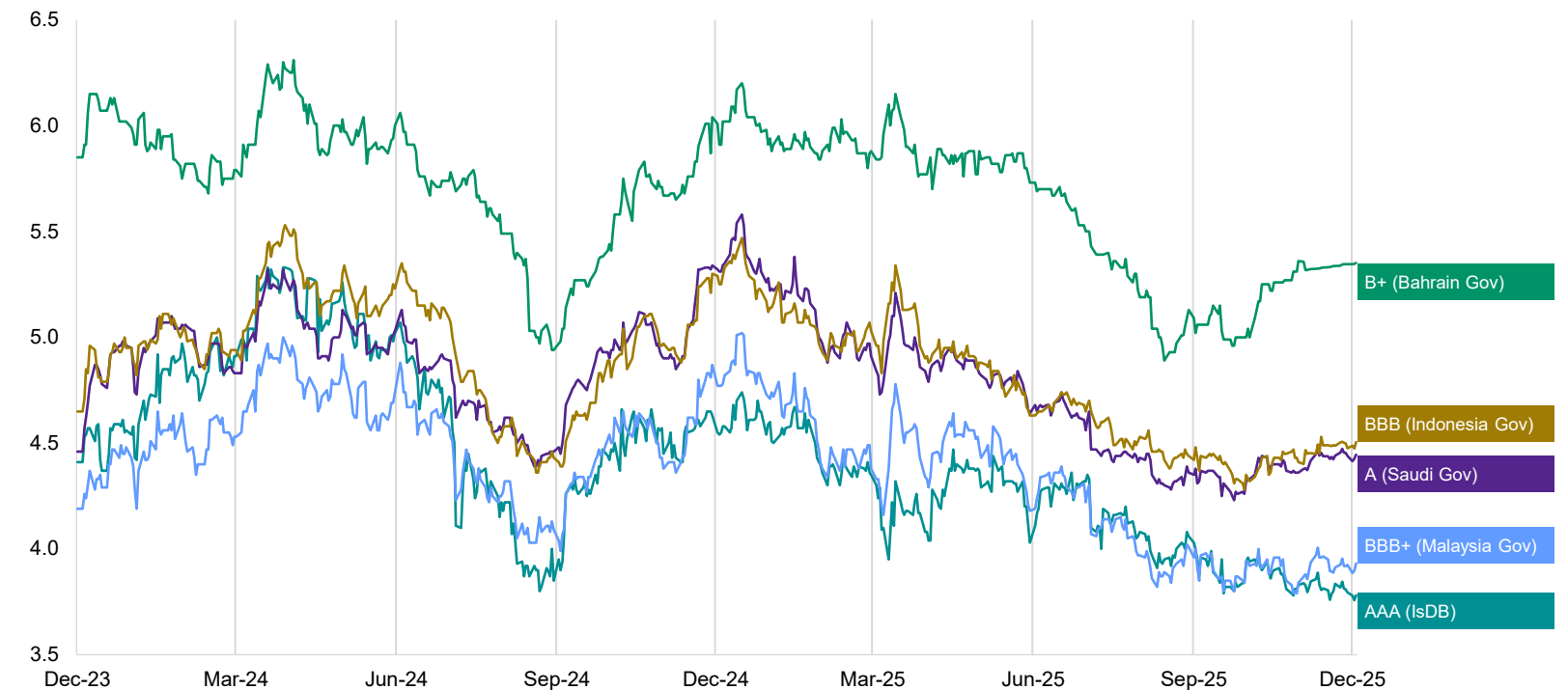
Yields trend lower in 2025 as easing rate expectations drive market repricing

This analysis focuses on comparable USD-denominated long-term sovereign and supranational sukuk, examining how yields evolved across the credit spectrum from AAA to B+ during 2024–2025. These instruments are benchmark-style sukuk with similar currency, tenor profile, and market depth, allowing for a clean comparison of yield behaviour across rating buckets.

Across the curve, yields declined steadily through most of 2025, reflecting the shift toward global monetary easing as the Fed began cutting rates and US Treasury benchmarks repriced lower. Improved emerging-market risk sentiment further compressed credit spreads, resulting in a broad-based downward trend for sovereign sukuk yields.

However, Q4 2025 showed a mild but consistent rebound in yields across all issuers. This aligns with several market drivers: a reassessment of the Fed's pace of easing, with fewer cuts priced in toward year-end; typical year-end liquidity constraints that push yields higher; and a significant surge in sukuk issuance during Q4, which temporarily increased supply.

Yield by issuer rating
(% yield | 2024-2025)



Source: LSEG Workspace

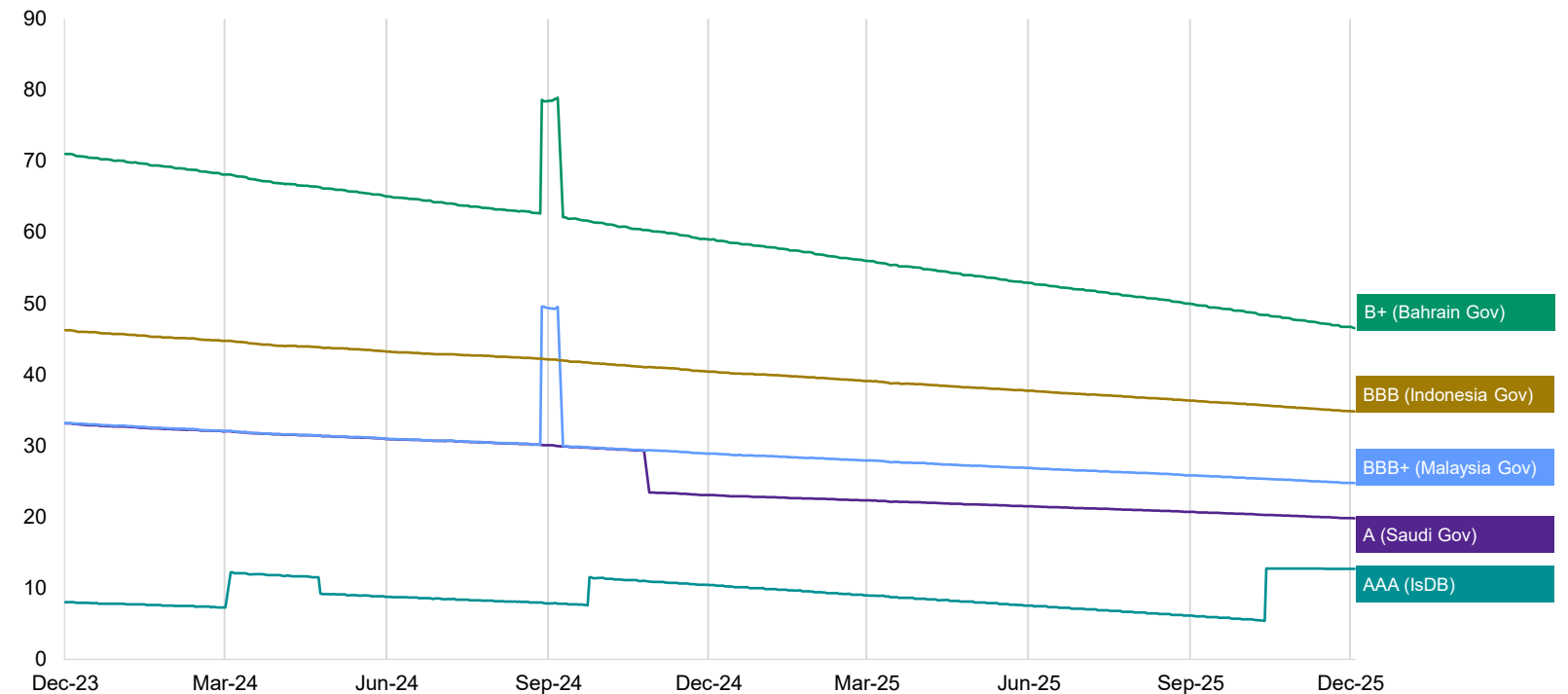
Carry demand supports liquidity as bid-ask spreads fall across ratings

Bid-ask spreads on comparable US-dollar sovereign sukuk narrowed steadily over 2024–2025, pointing to a broad improvement in secondary market liquidity. Tightening was most pronounced among higher-yielding issuers such as Bahrain, reflecting stronger investor demand for carry amid elevated interest rates.

By contrast, lower-yield, higher-rated issuers including Saudi Arabia and the Islamic Development Bank (IsDB) saw more modest compression, consistent with their already liquid trading profiles. IsDB spreads widened slightly toward the end of 2025, a typical pattern for instruments approaching maturity as turnover declines.

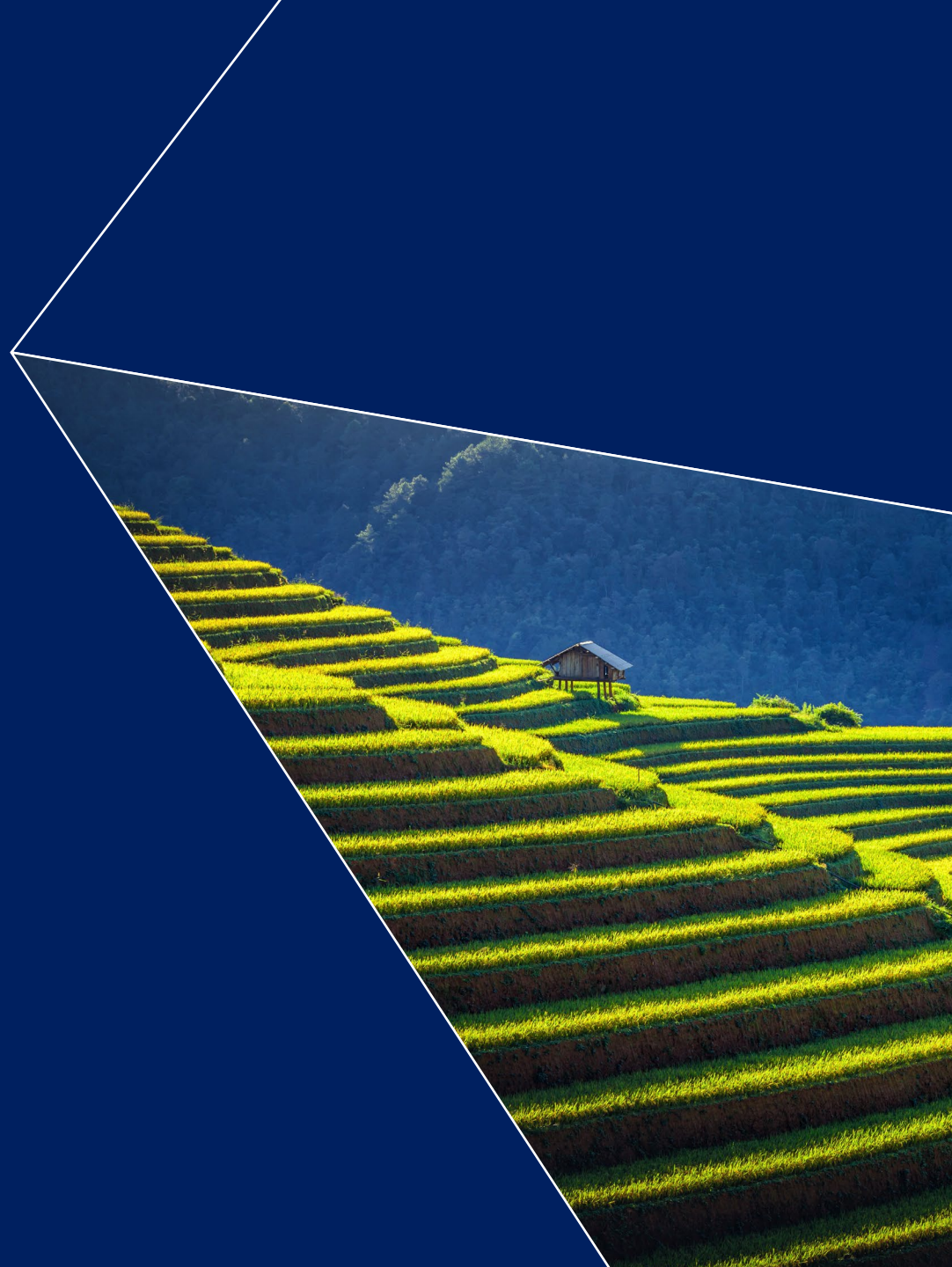
Overall, liquidity gains appear to have been driven disproportionately by yield hunting, with investors rotating toward higher-yielding sovereign sukuk and contributing to tighter trading costs across lower-rated issuance.

Bid-ask spreads by issuer rating
Basis points (bps) | 2024-2025



Source: LSEG Workspace

ESG SUKUK LANDSCAPE



Record growth in ESG sukuk driven by expanding issuer base and rising demand

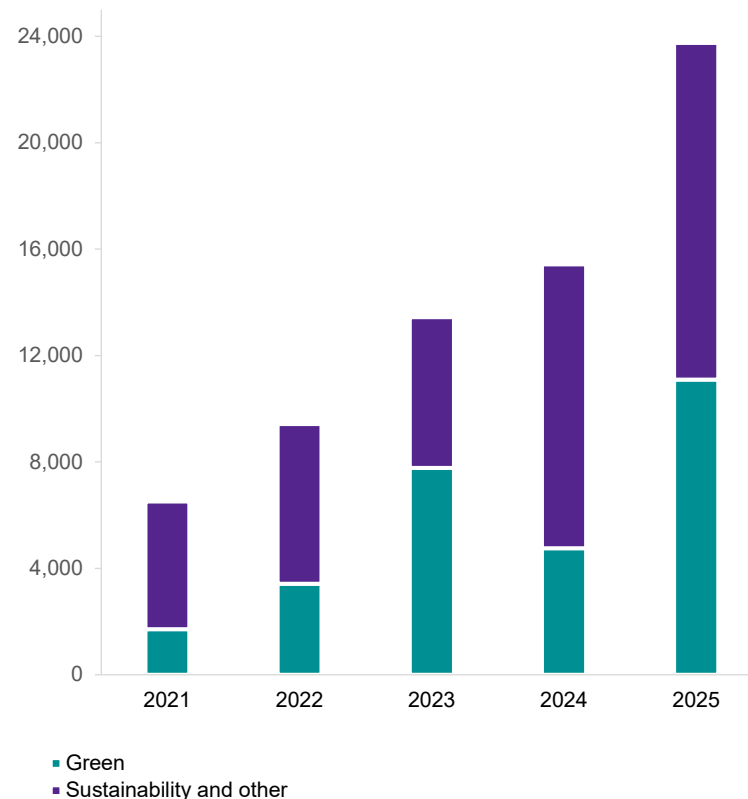
ESG sukuk issuance reached a record \$23.8 billion in 2025, rising 54% year on year and extending a period of rapid multi-year expansion, reinforcing its position as one of the fastest-growing segments within sustainable finance.

Momentum was driven by a broader issuer base and stronger institutional uptake, alongside rising global demand for ESG-labelled Islamic investments, increasingly extending beyond the traditional Islamic investor base.

A key highlight of 2025 was the renewed strength of green sukuk, with issuance rising to \$11.1 billion, or 47% of total ESG sukuk issuance, up from 31% in 2024. This rebound was driven largely by GCC-based energy, utilities and real estate companies financing climate-aligned and transition-related investments.

Another notable development was the launch of the world's first Sustainability-Linked Financing (SLF) sukuk, led by Emirates Islamic with a \$500 million issue, followed later in the year by a \$1 billion SLF sukuk from Dubai Islamic Bank. Unlike use-of-proceeds structures, SLF sukuk link sustainability performance to a bank's overall financing activities, providing greater flexibility and strengthening credibility with global sustainable-finance investors.

ESG sukuk historical issuance
USD million | 2021-2025



Source: LSEG Workspace

ESG sukuk accounted for

8.1%

of total sukuk issued
in 2025

2.4%

of total ESG bonds
issued in 2025

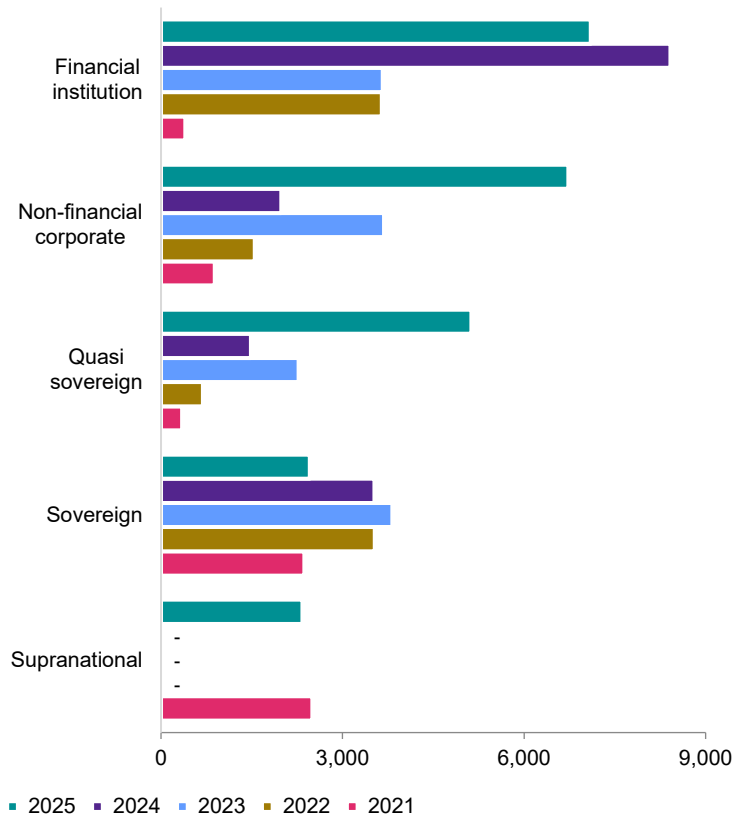
Surge in ESG sukuk issued by non-financial corporates and quasi-sovereigns signals increasing real economy impact

Corporates were the largest contributors to ESG sukuk issuance in 2025, accounting for nearly 60% of total value, with growing participation from non-financial issuers directing more proceeds toward real-economy ESG projects. This marks a clear shift from earlier bank-led issuance and points to stronger alignment with on-the-ground sustainability outcomes.

Financial institutions represented around 30% of total ESG sukuk issuance in 2025, while quasi-sovereign issuance saw a 245% increase in 2025, making up 22% of total issuance. This was driven by increased activity from government-backed utilities, infrastructure developers, in addition to the debut ESG sukuk from Oman Electricity Transmission Company.

Meanwhile, sovereign issuance declined, despite Pakistan's debut green sukuk issuance, due to a tapering of Indonesia's previously regular green sukuk programme.

ESG sukuk issuance by issuer type
USD million | 2021-2025



Source: LSEG Workspace

Top issuers of ESG sukuk
FY 2025

Issuer	Amount issued USD million	Share
1 Al Rajhi Bank	2,700	11%
2 Indonesia Govt	2,351	10%
3 Islamic Development Bank	2,336	10%
4 Malaysia Rail Link	2,180	9%
5 PNB Merdeka Ventures	1,478	6%

Source: LSEG Workspace

ESG sukuk issuance strengthens across major markets as international demand rises

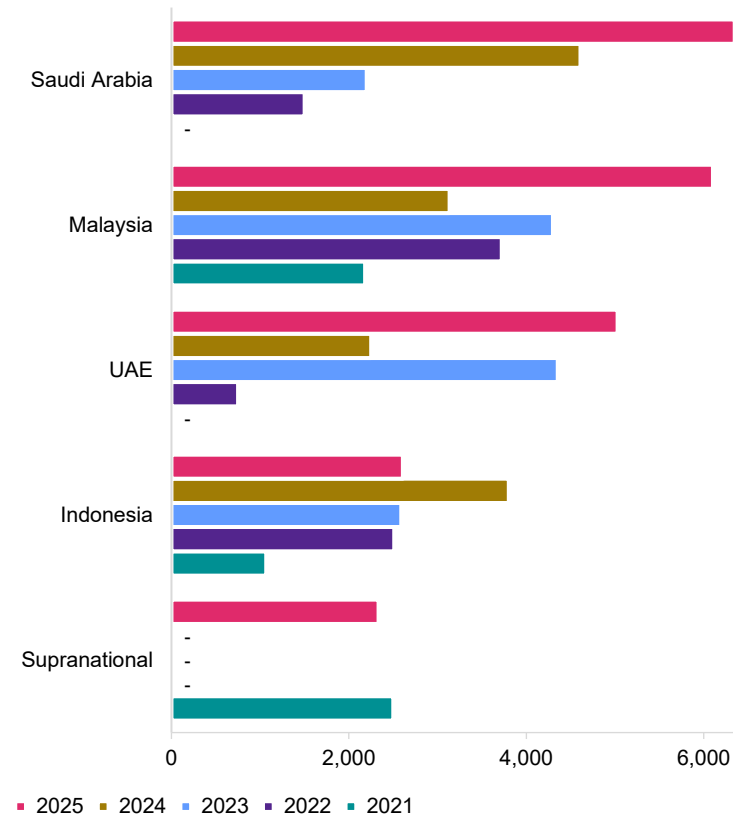
ESG sukuk issuance rose sharply across the three largest markets in 2025. Combined, Saudi Arabia, Malaysia and the UAE accounted for 74% of ESG sukuk issued during the year.

Saudi Arabia became the largest issuance base for ESG sukuk, driven primarily by increased issuance from Saudi banks. In the UAE, issuance growth was led mainly by real estate developers expanding their use of ESG sukuk to fund green buildings and sustainability-linked projects.

Malaysia also recorded a notable increase, supported by entry from a broader range of non-financial corporates and signalling a deeper real economy orientation for ESG sukuk issuance.

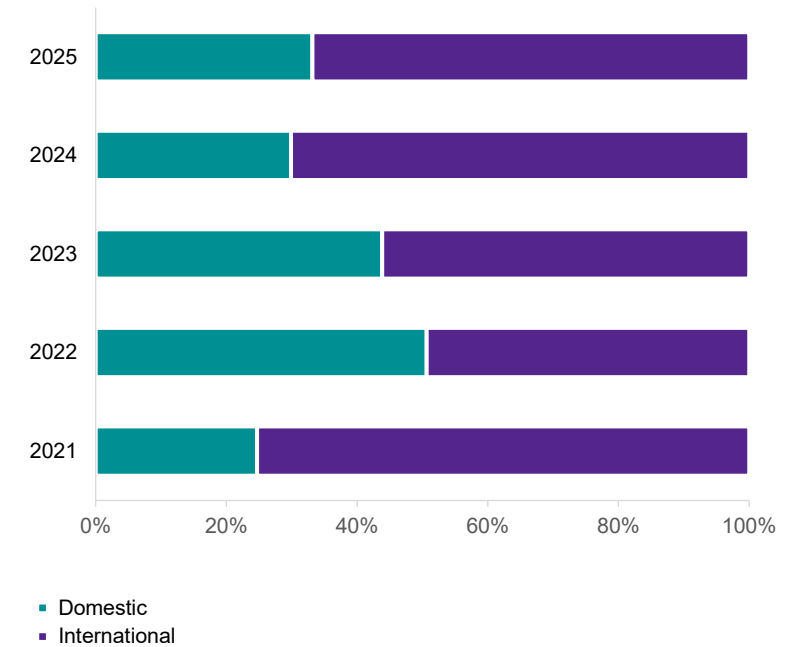
ESG sukuk have predominantly been issued in international markets, accounting for an average of 64% of annual issuance since 2021. This has been underpinned by strong demand from non-traditional sukuk investors, allowing issuers to secure more favourable pricing, broaden their investor base, and access deeper pools of ESG-focused capital.

Leading countries by sukuk issuance
USD million | 2021-2025



Source: LSEG Workspace

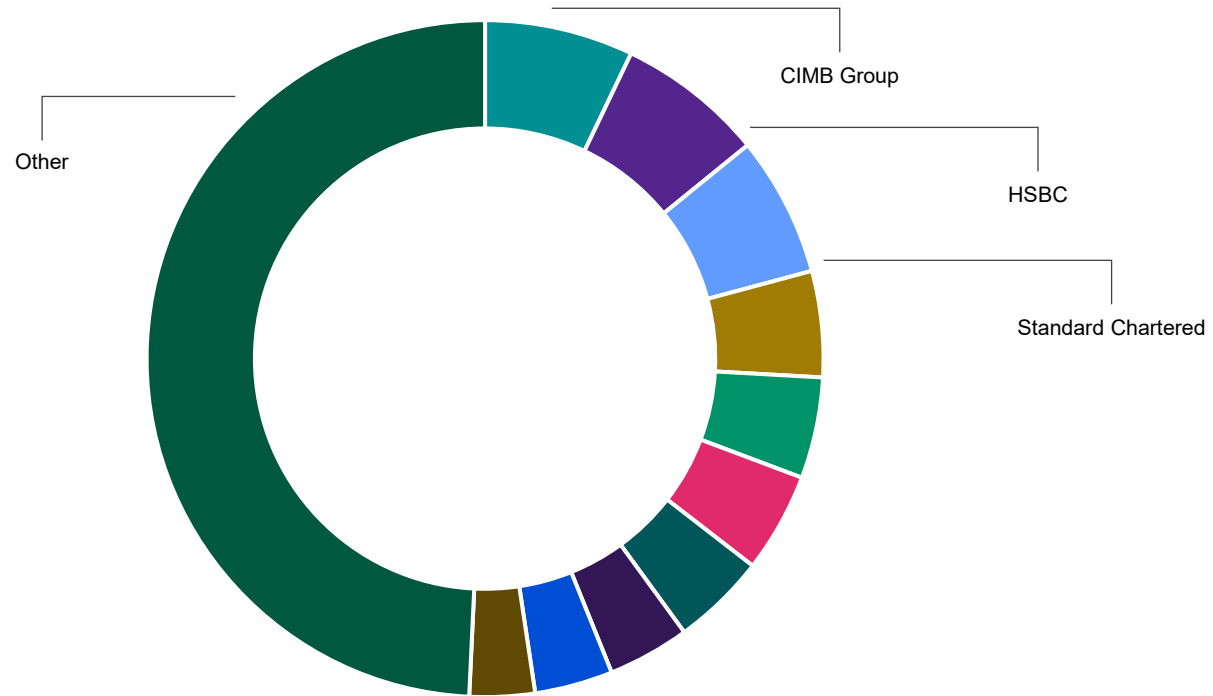
ESG sukuk issuance by market
% of total issuance | 2021-2025



Source: LSEG Workspace

ESG sukuk managing underwriters

ESG Sukuk managing underwriters by market share
FY 2025



Source: LSEG Workspace



SHARIAH-COMPLIANT EQUITIES



Shariah-compliant equities reach \$40 trillion with market cap concentrated in the US

Shariah-compliant equities reached \$40 trillion in market cap at the end of 2025, representing around 24% of the global equity market. The top five Shariah-compliant equities by market cap mirrored global equity rankings, with each exceeding \$1 trillion in valuation.

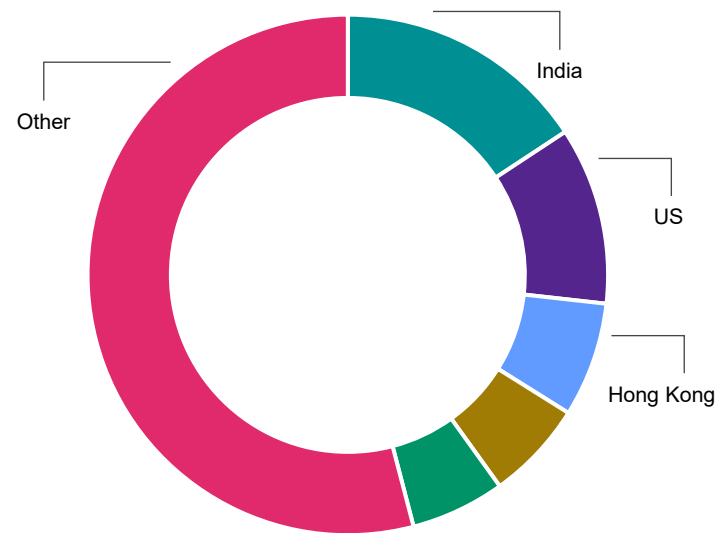
The Shariah-compliant equity universe is geographically broad but exhibits distinct structural skews between developed and emerging markets. India (16%), the US (11%), Hong Kong (7%), Canada (6%) and Malaysia (6%) made up a diversified share of total listings by the end of 2025, with more than half of all Shariah-compliant equities originating from smaller markets.

However, market cap was heavily concentrated in developed markets, with the US alone accounting for 65% of total value. This reflects a skew toward large-cap and mega-cap equities, which are fewer in number but dominant in size.

By contrast, emerging markets such as India, Hong Kong and Malaysia contribute a large number of constituents but represent proportionally smaller market cap segments, indicating a tilt toward mid- and smaller-cap companies.

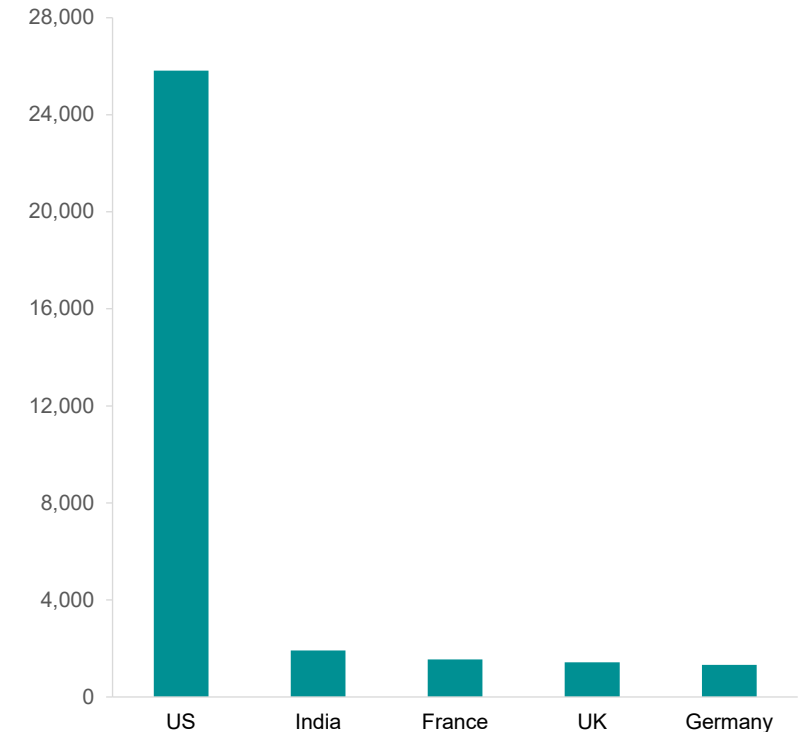
For Shariah-compliant equity portfolios, this dynamic results in significant concentration risk toward the US market and its mega-cap technology-aligned companies, while the broader emerging-market universe provides diversification breadth but far less influence on overall index performance.

Shariah-compliant equities by country
No. of equities | YE 2025



Source: LSEG Workspace

Top countries for Shariah-compliant equities by market cap
USD billion | YE 2025



Source: LSEG Workspace

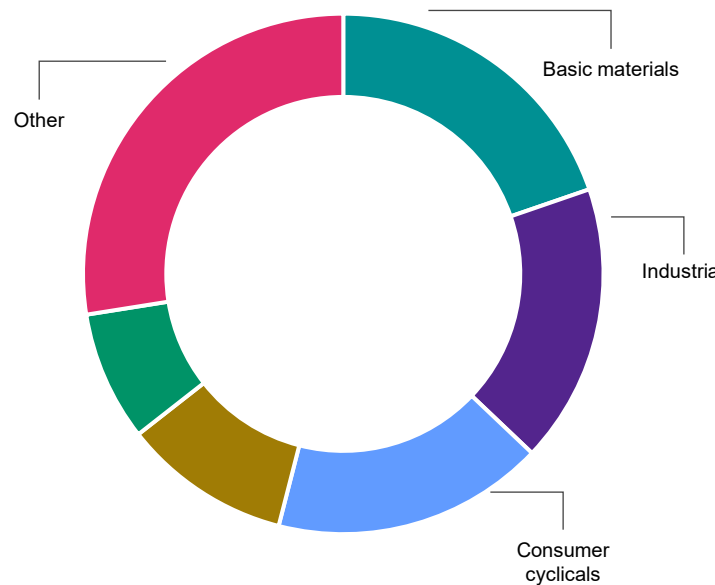
Shariah-compliant equities value concentrated in technology, despite diverse sector coverage

The Shariah-compliant equity universe exhibits a similar breadth-versus-concentration dynamic across sectors. By number of listings, basic materials, industrials and consumer cyclicals together account for more than half of all Shariah-compliant equities at the end of 2025, underscoring a broadly diversified sector composition dominated by mid-cap companies.

However, market-cap exposure is far more concentrated. Technology represents only around 10% of constituents but accounts for around 44% of total market cap, driven by the dominance of US mega-cap technology stocks.

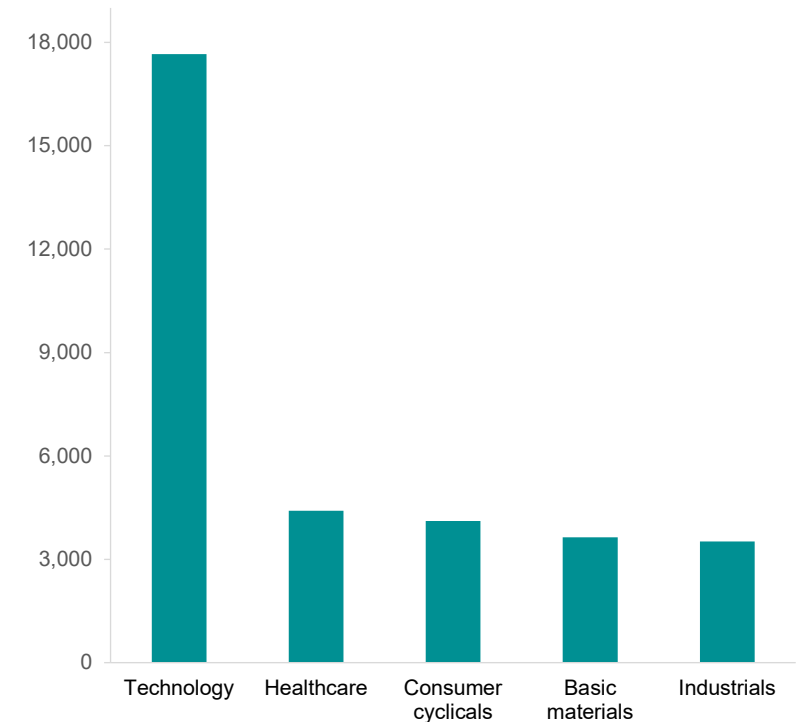
For Shariah-compliant equity portfolios, this structure means overall performance is disproportionately influenced by the technology sector, followed by healthcare (11% of market cap) and consumer cyclicals (10%). By contrast, most other sectors, while numerous in listings, have a more limited influence on aggregate performance given smaller average company size.

Shariah-compliant equities by sector
No. of equities | YE 2025



Source: LSEG Workspace

Top sectors for Shariah-compliant equities by market cap
USD billion | YE 2025



Source: LSEG Workspace

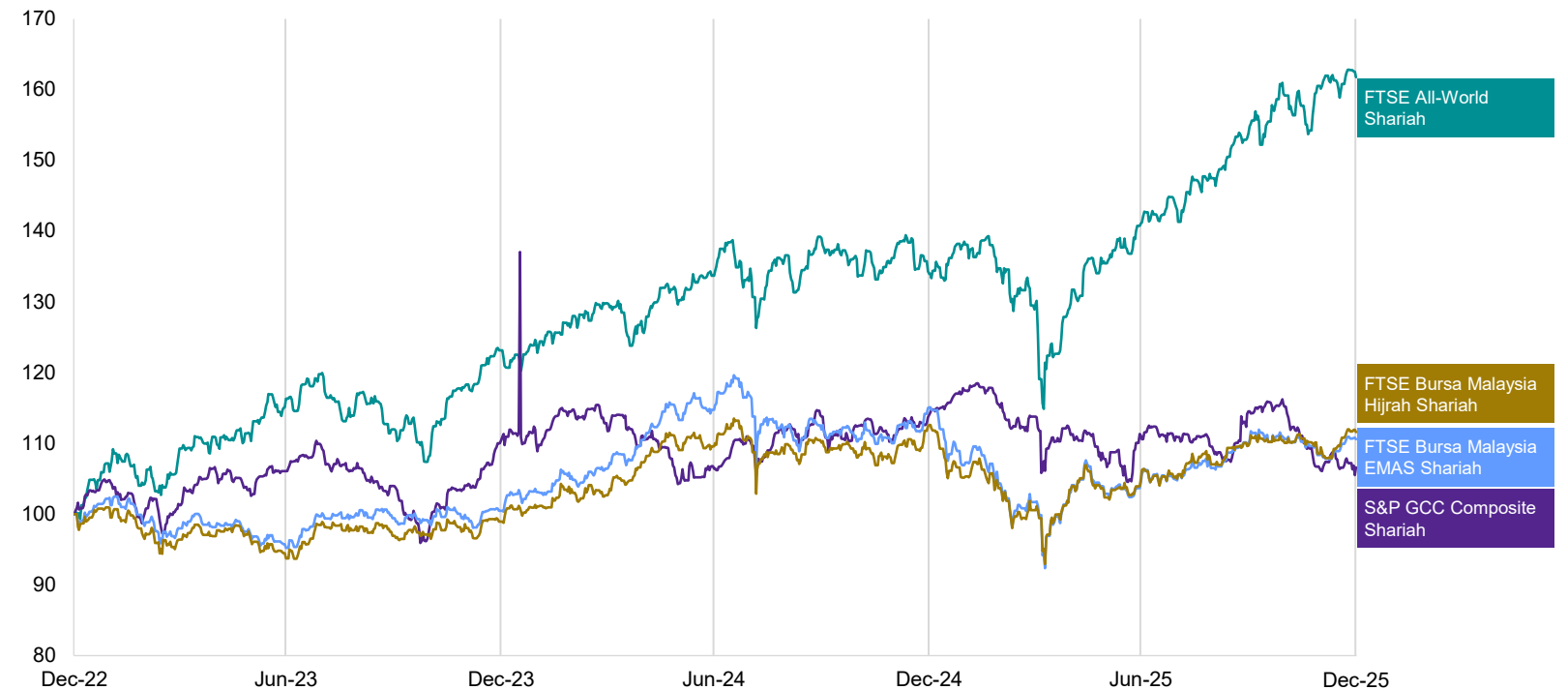
Global Shariah indices outperform regional counterparts, boosted by technology exposure

Across 2024 and 2025, Shariah-compliant equity indices delivered positive, but varied performance, with the FTSE All-World Shariah leading the group. Its gains were supported by exposure to large-cap growth stocks, led by mega-cap technology, which remained the strongest global performers during this period.

Performance across regional Shariah indices diverged noticeably. The GCC Shariah index lagged the global benchmark, largely due to its heavy concentration in the Saudi market, which faced weaker liquidity, softer earnings in key sectors, and significant investor rotation into IPOs through 2024–2025. This was primarily a market-driven slowdown, not the result of Shariah screening.

Malaysia's EMAS and Hijrah Shariah indices also showed muted performance through 2024–2025, mirroring broader challenges in the Malaysian market, including limited exposure to high growth technology sectors, periods of foreign outflows, and the impact of global trade uncertainty.

Shariah-compliant equity indices performance
Normalised performance (base=100) | Jan 2023 - Dec 2025



Source: LSEG Workspace

**ESG
SHARIAH-COMPLIANT
EQUITIES**



Stronger ESG fundamentals emerge within the Shariah-compliant equity universe

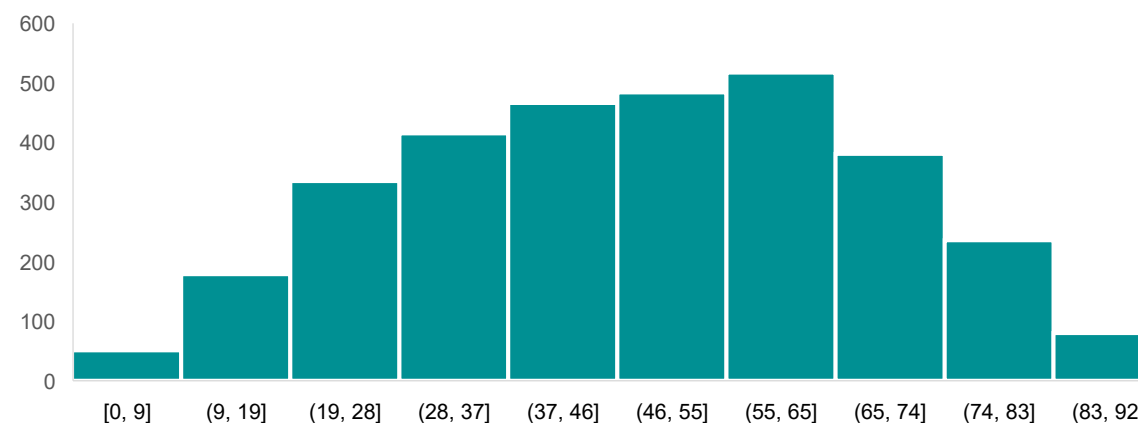
The ESG score distribution for Shariah-compliant equities shows most companies clustering in the middle of the range, with the largest group scoring between the mid-40s and mid-60s. The Shariah subset displays slightly stronger overall ESG performance than the full ESG universe, with a higher median (48.72 vs. 47.26) and higher mean (48.01 vs. 46.87).

Moreover, there are fewer companies in the lowest-scoring bands, largely because Shariah screening excludes many highly leveraged or controversy-prone companies that tend to sit at the bottom of the distribution.

The top ESG-scored Shariah-compliant equities in 2025 spanned multiple regions and sectors, most visibly healthcare, basic materials, industrials, consumer cyclicals and technology. Common characteristics include low leverage, robust governance and disclosure, clear controls around product quality and supply chains, and tangible progress on resource efficiency and emissions management.

ESG score distribution for Shariah-compliant equities

No. of equities | YE 2025



Top ESG Shariah-compliant equities by ESG score

FY 2025

	Identifier	Company name	Country	Sector	Market cap USD billion	ESG Score
1	APAM.AS	Aperam	Netherlands	Basic Materials	3.03	92.33
2	AZN.L	AstraZeneca	UK	Healthcare	288.15	92.26
3	MAVI.IS	Mavi Giyim Sanayi ve Ticaret	Turkey	Consumer Cyclicals	0.81	91.86
4	DANO.PA	Danone	France	Consumer Non-Cyclicals	61.45	91.33
5	SIGNC.S	SIG Group	Switzerland	Basic Materials	5.48	91.26

Divergence in markets leading on scale vs ESG performance for Shariah-compliant equities

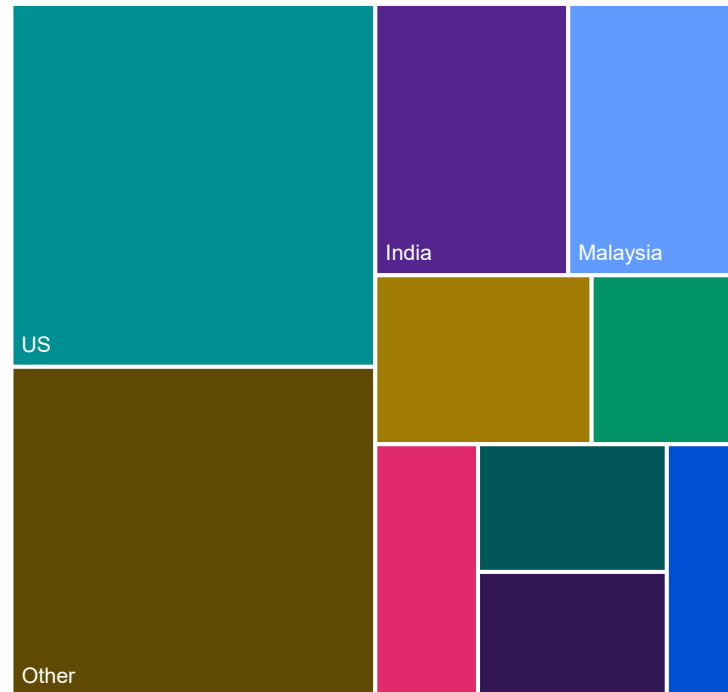
With a 26% share of eligible equities, the US was the largest market in the ESG-screened Shariah-compliant equity universe. Beyond the US, India and Malaysia each accounted for 10% of the universe, followed by the UK at 7%.

Other developed markets, including Sweden, Canada, Germany, and Australia, contributed around 5% each, while the remaining 24% was distributed across various smaller markets.

This distribution reflects the broad geographic spread of Shariah-compliant equities, influenced by varying levels of ESG disclosure maturity and regulatory support across markets.

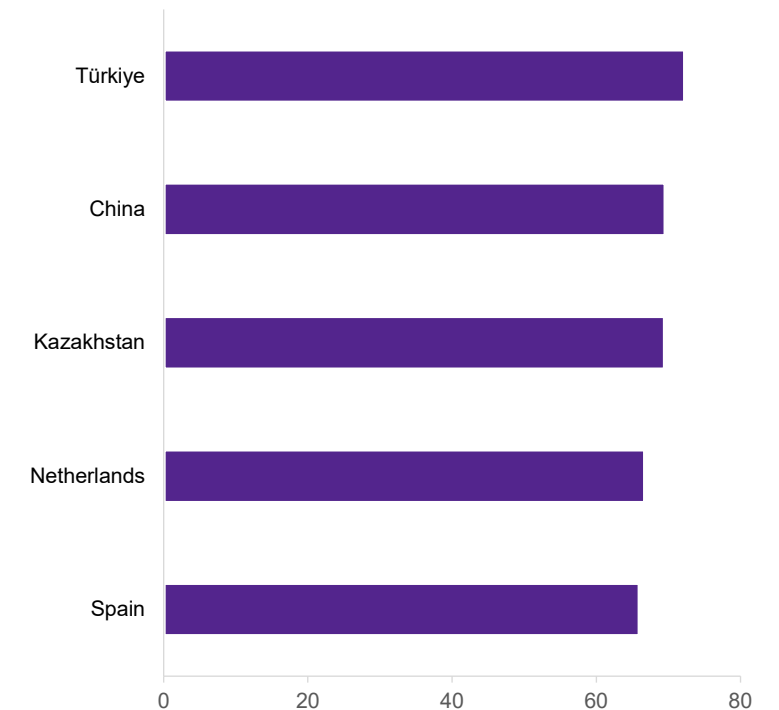
However, the countries leading by median ESG scores differed from those leading by market size. The highest ESG-scoring markets, Türkiye, China, Kazakhstan, the Netherlands and Spain, tend to feature smaller universes but benefit from strong performance by specific companies or sectors with robust governance and well-defined sustainability practices.

ESG Shariah-compliant equities by country
% of equities | YE 2025



Source: LSEG Workspace

Top countries by Shariah-compliant equity ESG scores
Median ESG score | YE 2025



Source: LSEG Workspace

Smaller sectors lead ESG rankings for Shariah-compliant equities, supported by stronger governance and transparency standards

In 2025, the sector composition of ESG-screened Shariah-compliant equities shows a broad and diversified universe, with industrials (18%) and consumer cyclicals (17%) forming the largest sector exposures.

Basic materials and technology also represented significant shares, reflecting the presence of companies that typically meet Shariah screening thresholds and exhibit governance characteristics recognised by ESG frameworks.

However, sector leadership shifts when looking at ESG performance of Shariah-compliant equities. Healthcare, basic materials, energy, consumer non-cyclicals and real estate had the highest median ESG scores. These sectors tend to benefit from stronger governance, clearer disclosure practices and more regulated operating environments—characteristics that ESG scoring methodologies reward more consistently.

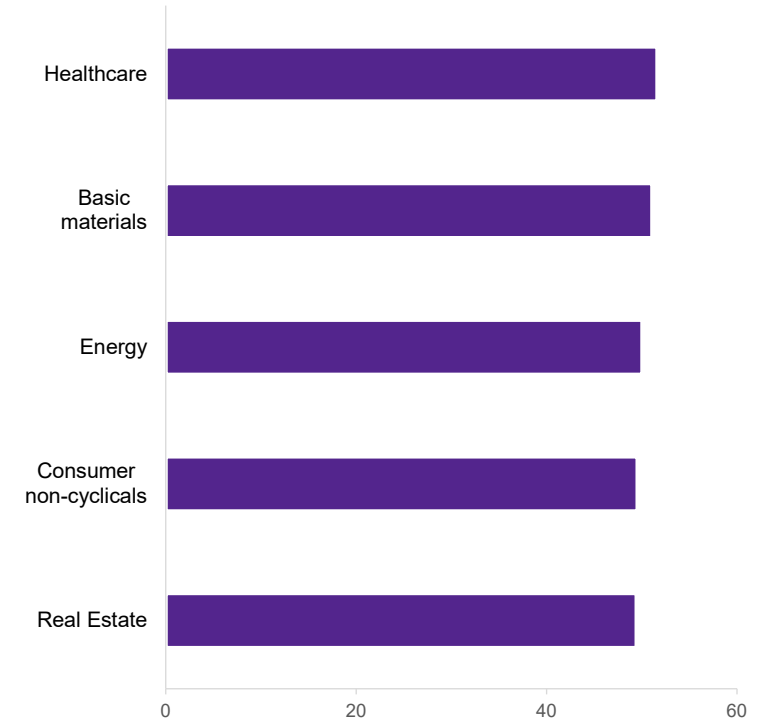
This creates a notable divergence: sectors with the largest representation in the Shariah-compliant universe are not necessarily those with the highest ESG performance.

ESG Shariah-compliant equities by sector
% of equities | YE 2025



Source: LSEG Workspace

Top sectors by Shariah-compliant equity ESG scores
Median ESG score | YE 2025



Source: LSEG Workspace

Strong ESG Shariah-compliant equities performance beyond the US 'Tech Effect'

ESG Shariah-compliant equity indices delivered solid gains in 2025, supported by their structural tilt toward US mega-cap technology equities, which continued to outperform on the back of strong AI- and cloud-driven earnings.

All three indices experienced a sharp drawdown in early 2025, consistent with the sector's sensitivity to global risk sentiment, before rebounding strongly by year-end as technology and other growth sectors regained momentum.

The S&P Global 1200 ESG Shariah and FTSE4Good All-World indices tracked closely and ended the year at the top of the performance range, reflecting their broader exposure to large US technology and consumer players.

In contrast, the MSCI World Islamic ESG Select Index lagged throughout the year, weighed down by stricter screening criteria and comparatively lower weightings in the strongest performing US technology names.

ESG Shariah-compliant equity indices performance
Normalised performance (base=100) | Jan 2024 – Dec 2025



Source: LSEG Workspace

ISLAMIC FUNDS



Strong equities performance and new fund launches boost Islamic funds growth momentum

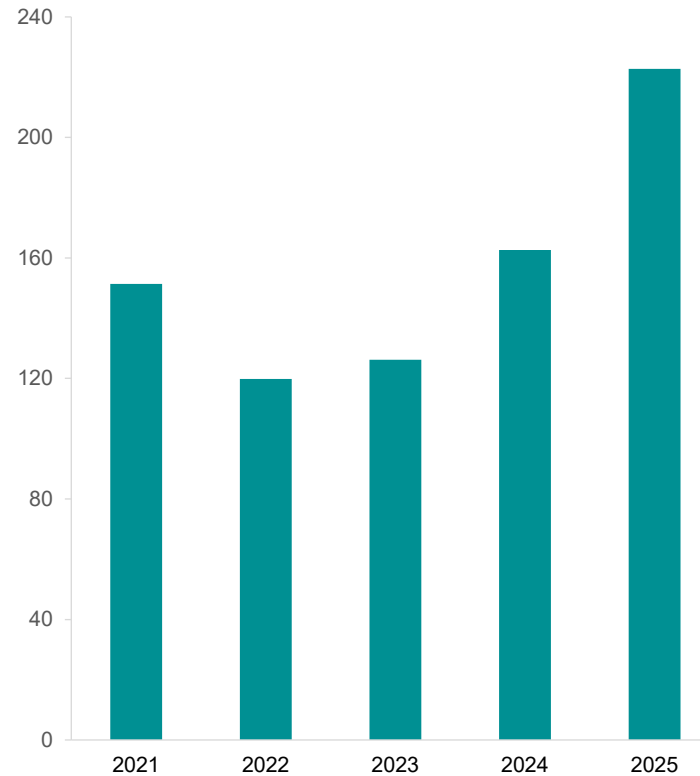
Islamic funds maintained strong growth in 2025, with total value rising 37% year-on-year to \$222.8 billion. During the year, 235 new Islamic funds were launched, with 91% structured as mutual funds investing in domestic sukuk, global equities and mixed asset strategies. This continued rise in fund creation reflects growing investor demand for Islamic investment products, which is simultaneously driving higher demand for Shariah-compliant underlying assets, particularly sukuk.

Another key driver of growth was the strong performance of US equities. While global equity markets provided a broad tailwind, US market dynamics were particularly impactful given their dominance in the global Shariah-compliant equity universe.

By the end of 2025, disclosed active Islamic funds were domiciled across 26 jurisdictions. The largest five domiciles hosted more than 75% of the world’s Islamic funds, the majority of which were registered in domestic markets.

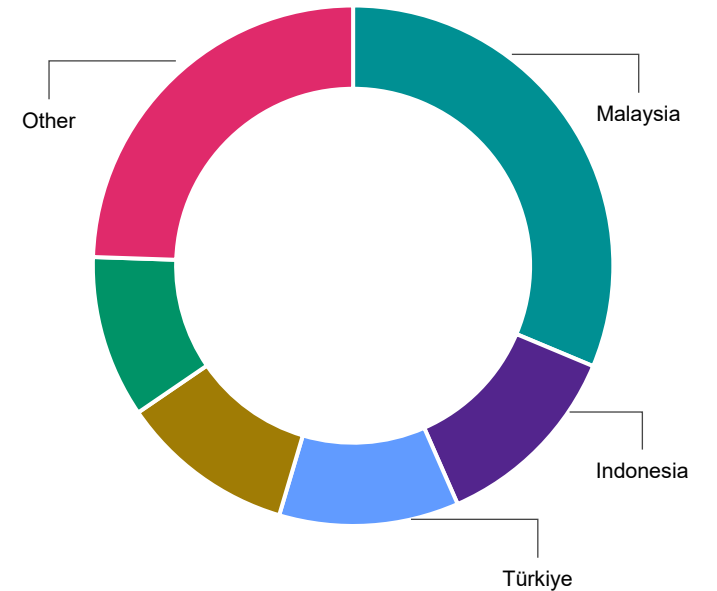
Malaysia remained the largest market by number of Islamic funds, accounting for 31% of all active funds and 26% of all new Islamic fund launches in 2025. Among offshore domiciles, Luxembourg and Ireland led the segment, together representing 15% of total active funds and 16% of new fund launches in 2025.

Islamic funds historical value
USD billion | 2021-2025



Source: LSEG Lipper

Islamic funds by domicile
% of funds | YE 2025



Source: LSEG Lipper

Mutual funds dominate as precious metals ETFs drive Islamic fund growth

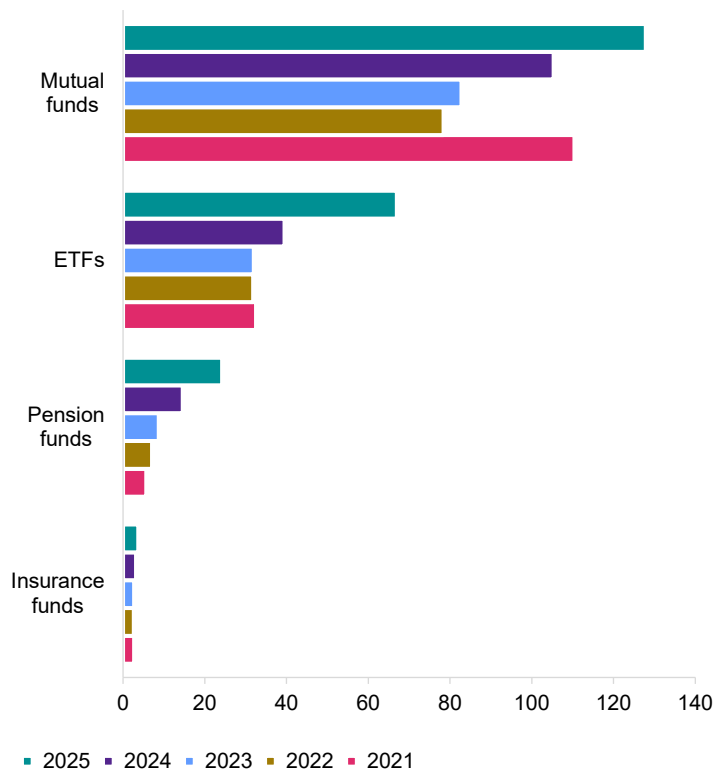
Mutual funds and ETFs together accounted for 87% of total Islamic funds' value in 2025. Mutual funds remained the largest segment, making up 57%, supported by strong allocations to equity and money market strategies, which together represented 71% of mutual funds' value.

Islamic ETFs saw substantial value growth, with 86% of them invested in precious metals, a direct result of the sharp rise in gold and silver prices. This is reflected in the Islamic fund rankings, where the majority of the 10 largest funds are gold and silver ETFs.

Several notable developments took place in the Islamic ETF space during 2025. Kazakhstan became the latest country to introduce an Islamic ETF as part of its expanding Islamic finance ecosystem.

Meanwhile, Saudi Arabia and Hong Kong strengthened their financial ties through a series of ETF initiatives. In May 2025, Hong Kong launched an ETF tracking Saudi government and agency sukuk, following Saudi Arabia's earlier introduction of its first Islamic ETF tracking Hong Kong equities in 2024.

Islamic funds by type
USD billion | 2021-2025



Source: LSEG Lipper

Largest 10 Islamic funds by value
FY 2025

	Fund name	Domicile	Type	Asset focus	Value USD bn
1	Invesco Physical Gold ETC	Ireland	ETF	Commodity	28.4
2	WisdomTree Physical Gold	Jersey	ETF	Commodity	7.6
3	HSBC Islamic Global Equity Index Fund A2CGBP	Ireland	Mutual Fund	Equity	6.3
4	SNB Capital Al Sunbullah SAR	Saudi Arabia	Mutual Fund	Money Market	6.1
5	Türkiye H&E Gold Participation Pension Fund	Turkey	Pension Fund	Commodity	5.6

Source: LSEG Lipper

Strong commodity gains and global allocations shape Islamic fund performance

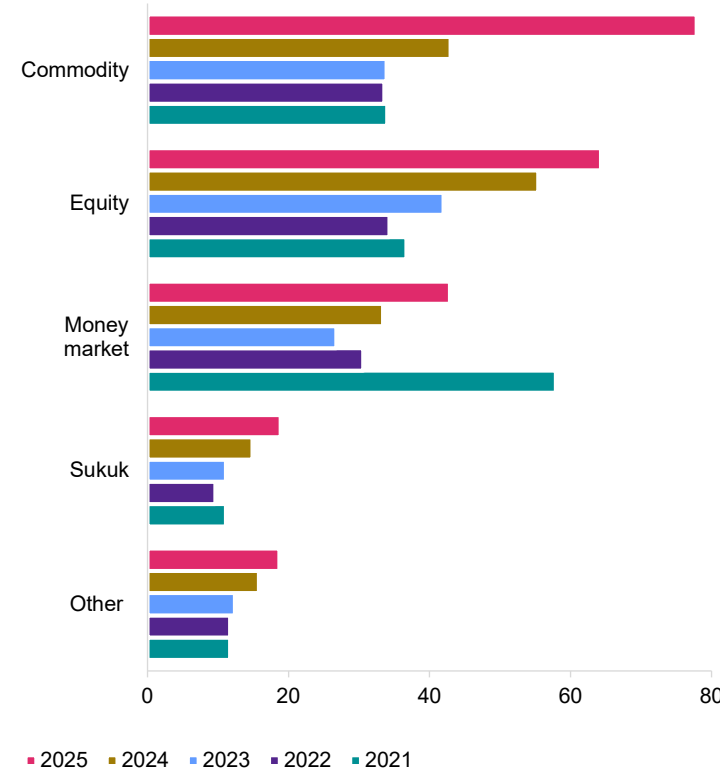
Commodity-focused Islamic funds surged in value by more than 81% in 2025, benefitting from the rally on precious metals. These funds contributed 35% of Islamic funds' value.

Equity and money market funds also recorded solid annual growth of around 16% and 28%, respectively, reflecting continued demand for Shariah-compliant growth and liquid investments. Together, these funds accounted for 48% of Islamic funds' value in 2025.

Funds with global mandates accounted for 45% of total Islamic funds' value in 2025, driven largely by investments in precious metals and equities.

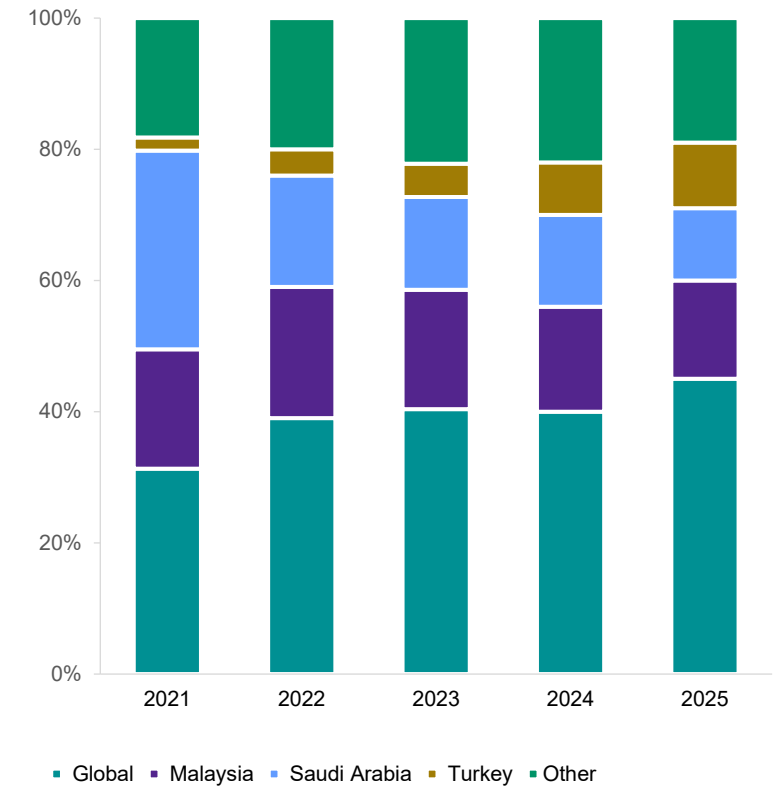
Meanwhile, funds investing in domestic markets focused mainly on money markets, sukuk, and equities, aligning with the structure of local Islamic capital markets. An exception to this trend is Türkiye-focused funds, which saw most of their value gains coming from investments in precious metals, mirroring investor preference for inflation-hedging assets in that market.

Islamic funds by asset focus
USD billion | 2021-2025



Source: LSEG Lipper

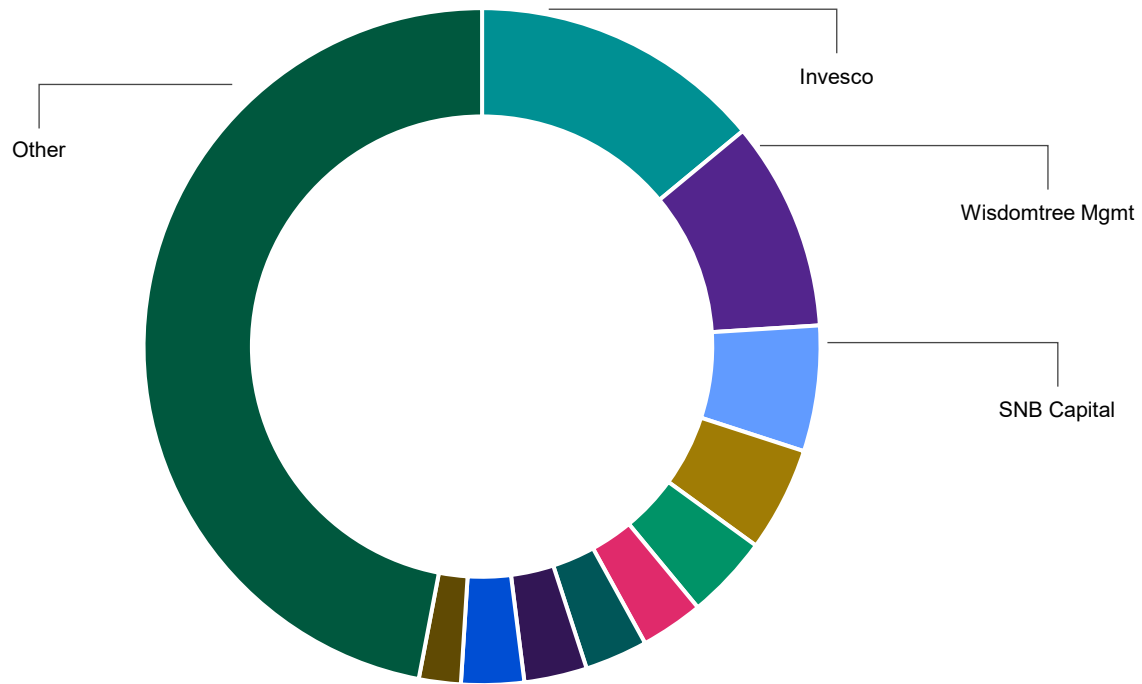
Islamic funds by geographical focus
% of total funds value | 2021-2025



Source: LSEG Lipper

Islamic fund managers

Islamic fund managers by market share
FY 2025



Source: LSEG Lipper



ESG ISLAMIC FUNDS



ESG Islamic funds grow steadily but lag broader market due to limited asset availability

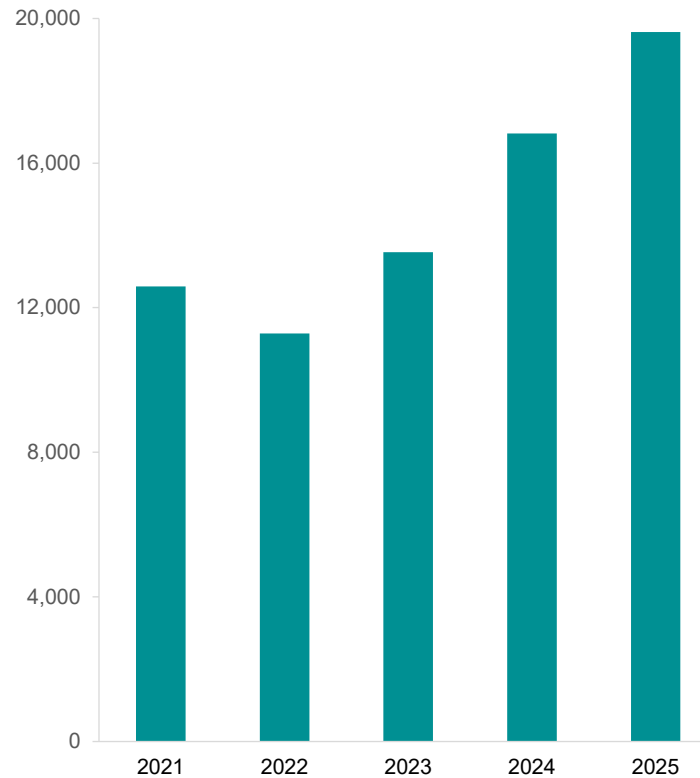
ESG Islamic funds saw solid continued growth of around 17% in 2025, reaching \$19.6 billion in total value. However, this still represented significant underperformance relative to the broader Islamic fund universe. The shortfall was primarily structural. ESG Islamic funds operate within a much narrower investment pool, concentrated mainly in equities with some sukuk exposure. As a result, they did not benefit from the strong precious metals rally that lifted the broader Islamic funds market during the year.

ESG Islamic funds were domiciled across 12 jurisdictions, with Malaysia and Indonesia leading in terms of fund numbers in 2025. Combined, they hosted more than half (57%) of all ESG Islamic funds.

Malaysia and Indonesia’s ESG Islamic funds provide exposure to a more diverse asset pool, including money markets and real estate. Meanwhile, funds based in Western and offshore jurisdictions are mostly limited to equities and sukuk.

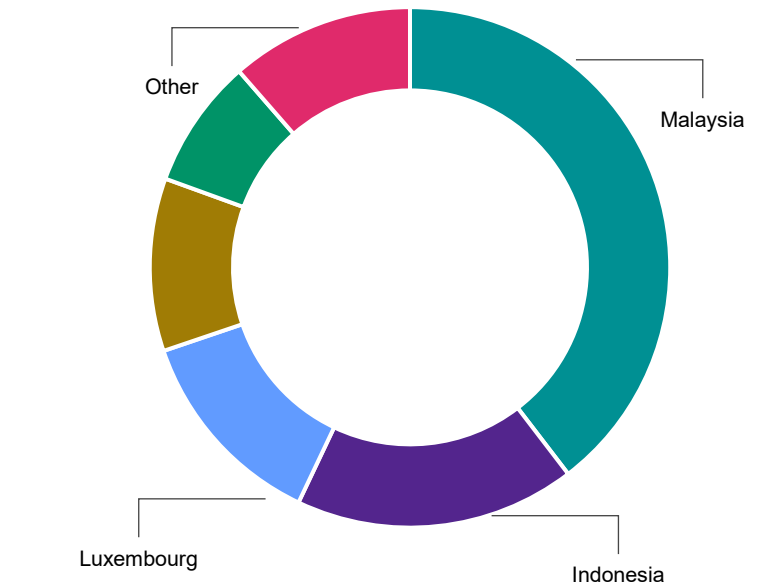
Thailand joined the list of domiciles for ESG Islamic funds with the launch of the MFC FTSE Shariah Investment Thai Sustainable Special Fund (MIF-Thai ESGX) in May 2025. This equity-focused fund is managed by MFC Asset Management.

ESG Islamic funds historical value
USD million | 2021-2025



Source: LSEG Lipper

Islamic funds by domicile
% of funds | YE 2025



Source: LSEG Lipper

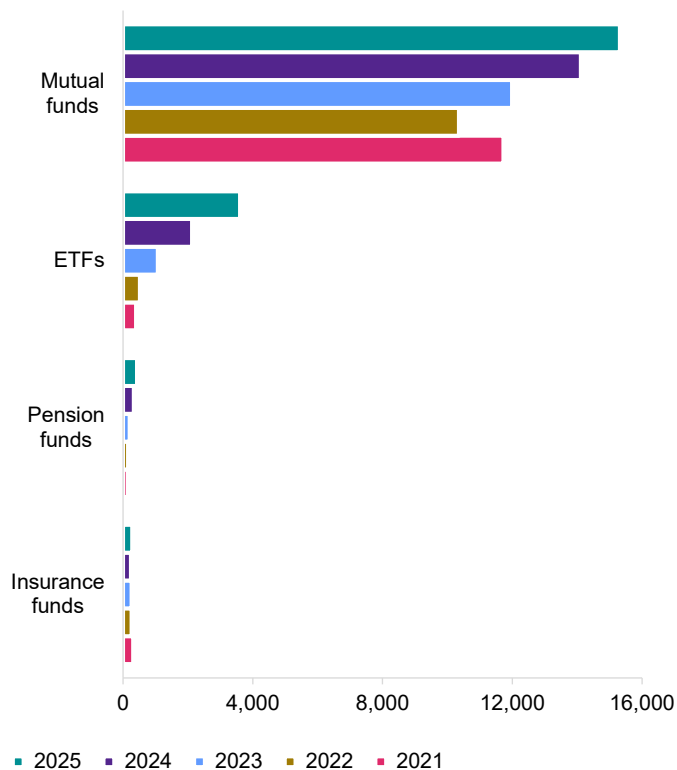
Strong growth for ETFs, while mutual funds continue to dominate ESG Islamic fund market

Mutual funds continued to account for the largest share of ESG Islamic funds' value in 2025, mirroring the composition of the wider Islamic funds market. Together with ETFs, they made up 92% of total ESG Islamic funds' value, with mutual funds alone representing 76%.

The scale of mutual funds was supported by strong allocations to equity and real estate strategies, which collectively accounted for nearly 90% of total value.

ESG Islamic ETFs saw significant growth, with their total value rising by 69% to \$3.6 billion in 2025. Growth was driven primarily by equity-focused ETFs rather than precious metals exposure. This is reflected in the fund rankings, where many of the largest ESG Islamic funds are equity ETFs or mutual funds.

ESG Islamic funds by type
USD billion | 2021-2025



Source: LSEG Lipper

Largest ESG Islamic funds by value
FY 2025

	Fund	Domicile	Type	Asset focus	Value USD mn
1	Amana Growth Fund; Institutional	US	Mutual Fund	Equity	3,237
2	Amana Growth Fund; Investor	US	Mutual Fund	Equity	2,691
3	SP Funds S&P 500 Sharia Industry Exclusions ETF	US	ETF	Equity	1,900
4	KLCC Real Estate Investment Trust	Malaysia	Mutual Fund	Real estate	1,813
5	Amana Income Fund; Institutional	US	Mutual Fund	Equity	1,275

Source: LSEG Lipper

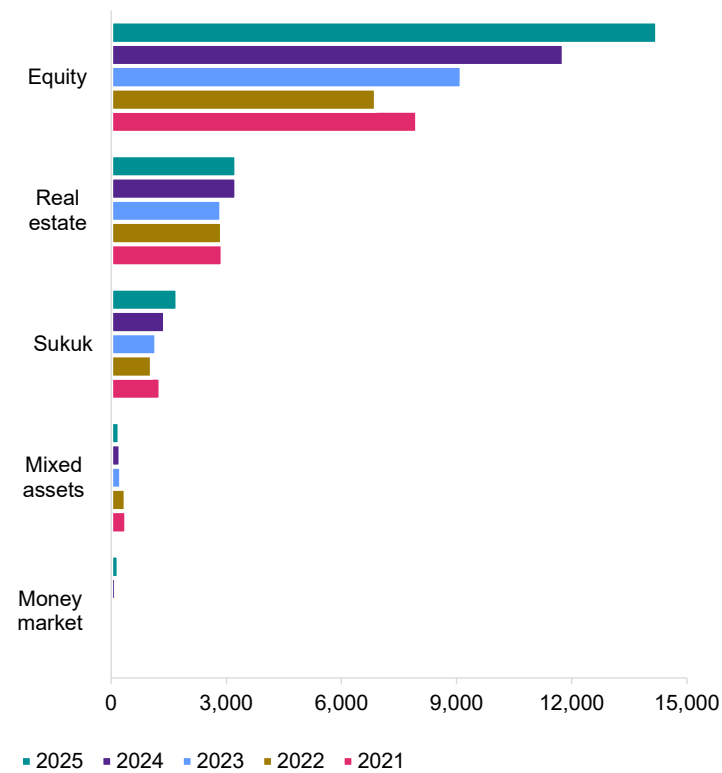
US equities remain the core focus of ESG Islamic funds amid structural supply gaps

ESG Islamic funds with equity-focused mandates saw the highest growth in 2025 and accounted for 72% of total ESG Islamic funds' value. This momentum was driven primarily by strong performance in US equities, with nearly 80% of ESG Islamic equity funds investing exclusively in US markets.

In contrast, growth across other asset classes was more muted. Sukuk-focused funds experienced only marginal growth, while real estate funds remained broadly flat, reflecting the limited availability of eligible ESG-aligned opportunities within these segments. This gap continues to reinforce equities as the anchor of ESG Islamic investment strategies.

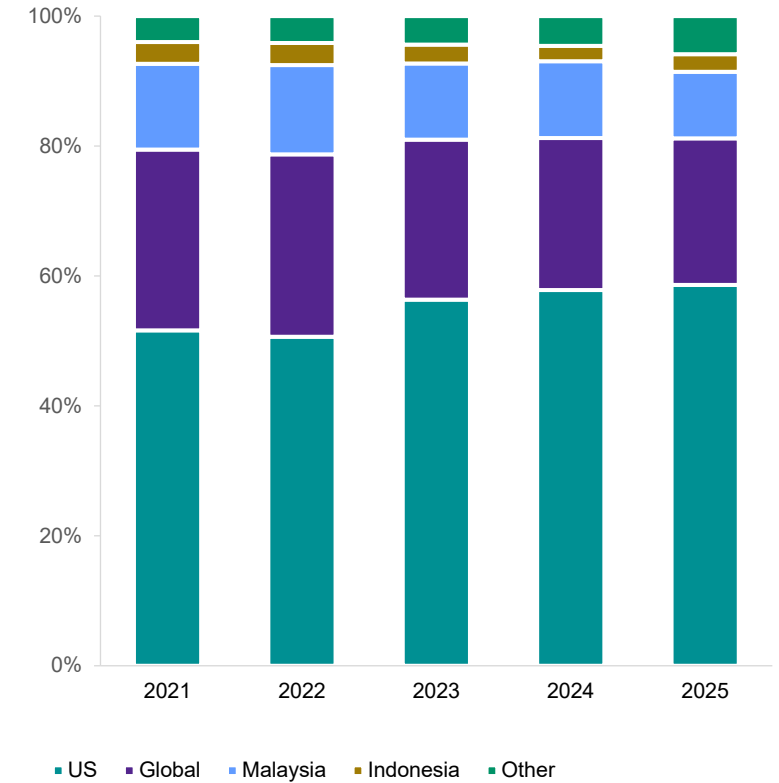
In terms of geographic focus, allocations remained concentrated in US markets, maintaining a share of around 60% of total ESG Islamic fund value. Meanwhile, allocations to Malaysia and Indonesia remained stable at roughly 12% and 3%, respectively. Despite their smaller shares, both countries continue to host the largest number of ESG Islamic funds. Their steady representation highlights the strength of local fund ecosystems even as global asset concentrations remain skewed toward larger, more mature markets.

ESG Islamic funds by asset focus
USD billion | 2021-2025



Source: LSEG Lipper

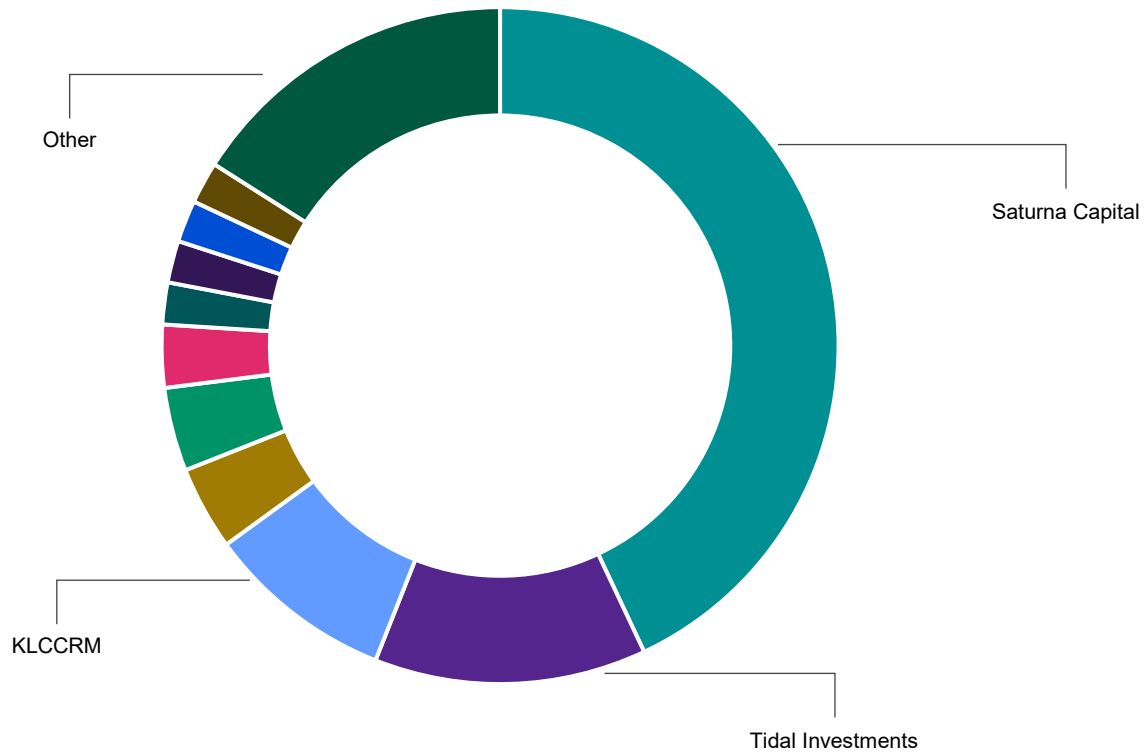
ESG Islamic funds by geographical focus
% of total funds' value | 2021-2025



Source: LSEG Lipper

Islamic fund managers

ESG Islamic fund managers by market share
FY 2025



Source: LSEG Lipper



Important notes

- Sukuk data represented in this report is mainly sourced from the GOVCORP database accessible through the LSEG Workspace platform with the addition of instruments that are pending onboarding procedures and may not yet appear live on the platform. This database excludes instruments issued by Iran-based entities.
- The amounts issued for re-opened sukuk have been redistributed and reallocated to their respective re-opening dates to ensure a more accurate representation of issuance volumes. This may cause a discrepancy with raw data obtained from the GOVSRCH database. It is recommended to access a detailed list of instruments through the Screener on the SUKUK NOW app on Workspace.
- 144A securities have been excluded.
- All currencies have been converted to US Dollars for comparability.
- Some sukuk issuer names and classifications have been revised due to the wide use of SPVs as issuance vehicles. This may cause a discrepancy with raw data obtained from the GOVCORP database.
- Islamic funds data is based on publicly disclosed fund names, assets, and underlying investments. Some offshore jurisdictions keep this data confidential; therefore they cannot be included in this report.

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