Doctor of Business Economics

Essays on Shariah Compliant Equity Investments.

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Abstract
This thesis contributes to both the stock selection and weighting decisions involved in designing a Shariah-compliant equity portfolio. The first chapter improves the existing backward looking selection criteria by introducing a forward looking approach using time series model based predictions. The second chapter highlights the importance of considering alternative weighting methods as compared to the standard market capitalization weighting approach. Finally, this thesis introduces a dynamic allocation strategy to the financial toolkit of Shariah-compliant investors. This strategy combines economic forecasting with portfolio construction to improve the stability in financial performance of Shariah-compliant equity portfolios in comparison to the buy and hold investment in the single style portfolios. The performance of the proposed advanced techniques is evaluated with Shariah-compliant S&P 500 stocks over the period 1986-2016. Overall, this thesis provides academics and professionals with a better understanding on how advanced selection and weighting strategies can be used in Shariah-compliant equity investing to improve both the primary objective of adherence to the Islamic jurisprudence and the secondary objective of optimizing financial performance.

Keywords: Shariah-compliant equity investments. Smart beta strategies. Dynamic asset allocation. Macro-financial regimes.