

Gold in Shari'ah investments: Hajj fund perspective





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Understanding gold's role in Hajj funds

Around 240 million Muslims in Southeast Asia aspire to perform the annual Hajj pilgrimage. Serving this community, Hajj savings funds carry a dual mandate: to safeguard pilgrims' deposits and to generate returns that preserve purchasing power over what can be decades-long waiting periods. This report examines the case for gold as a strategic, Shari'ah-compliant asset class within Hajj fund portfolios. We focus on Badan Pengelola Keuangan Haji (BPKH) in Indonesia and Lembaga Tabung Haji (LTH) in Malaysia – two of the largest Hajj funds in Southeast Asia.

Our analysis finds that a modest gold allocation of 5–15% consistently improves portfolio risk-adjusted returns, reduces drawdowns during periods of market stress, and provides a natural currency hedge against pilgrimage costs which are denominated in Saudi riyals, pegged to the dollar. Our analysis suggest that gold deserves consideration as a strategic asset, rather than a tactical holding within the equity sleeve of a Hajj fund's investment mandate.



Hajj funds in Southeast Asia

A brief introduction

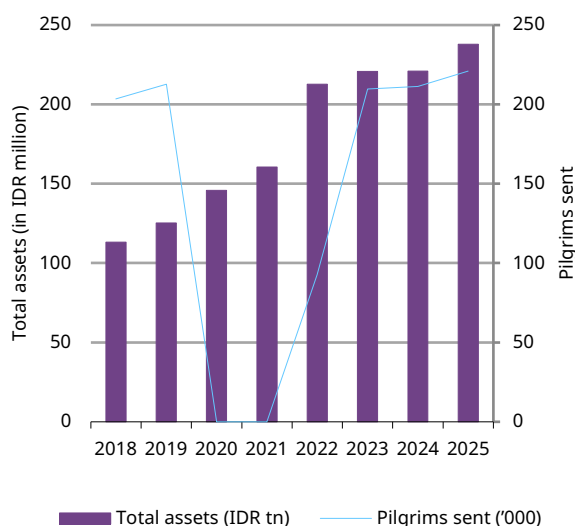
Hajj savings and pilgrimage funds are established to help Muslims accumulate savings for the annual pilgrimage to Mecca. These funds, hereinafter referred to as Hajj funds manage Hajj-related assets in accordance with Sharia investment principles.

In Southeast Asia, Hajj funds, such as those in Indonesia and Malaysia, are often state-administered, member-based funds, in which Muslim citizens in the country register for the pilgrimage and deposit a fixed amount into their accounts. The pilgrim receives a queue number to indicate when their turn is to perform the Hajj, often involving a lengthy waiting period.

Despite uncertainties over recent years, assets in Hajj funds have continued to grow. As an example, assets of the Badan Pengelola Keuangan Haji (BPKH)¹, the state-administered Hajj fund for Indonesia, reached IDR 238 tn as of end 2025 (Chart 1). Since 2020, assets in BPKH grew on average 10.3% per year.

Chart 1: BPKH assets grew despite pilgrimage suspension during the COVID pandemic

BPKH assets growth and Hajj pilgrims sent (2018-2025)*



* Data as of 31 December 2025. 2025 data is based on unaudited financial reports. Source: Badan Pengelola Keuangan Haji, Badan Pusat Statistics, World Gold Council

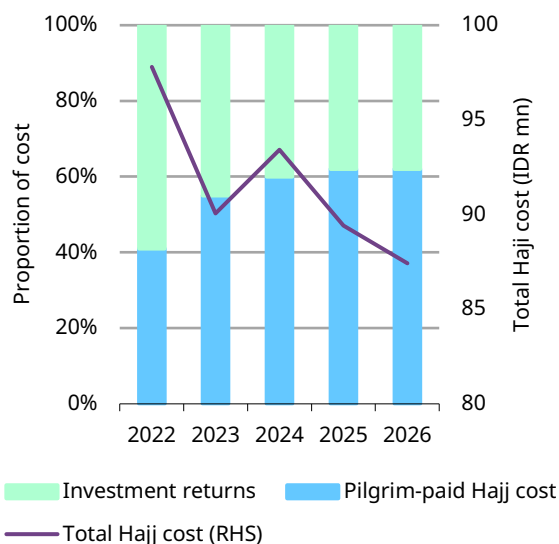
Understanding how Hajj funds operate

To understand the Hajj fund operation, we illustrate the lifespan of one of these funds. For instance, a registered pilgrim is required to make an initial deposit of IDR 25m (approximately US\$1,500) when registering for Hajj departure queue number, and the number assigned at registration determines the pilgrim's wait. In Indonesian provinces, this can vary from 16 to 38 years.

As of early 2026², the required total funding to send an Indonesian pilgrim to Mecca was approximately US\$5500. While 62% is paid by the pilgrims directly, the remaining 38%, known as benefit value, is generated through investments in the Hajj fund (Chart 2).

Chart 2: Investment returns bridge 38% of total costs

Breaking down the Hajj funding model (2022-2026)*



*As of 31 December 2025. Source: Badan Pengelola Keuangan Haji, World Gold Council

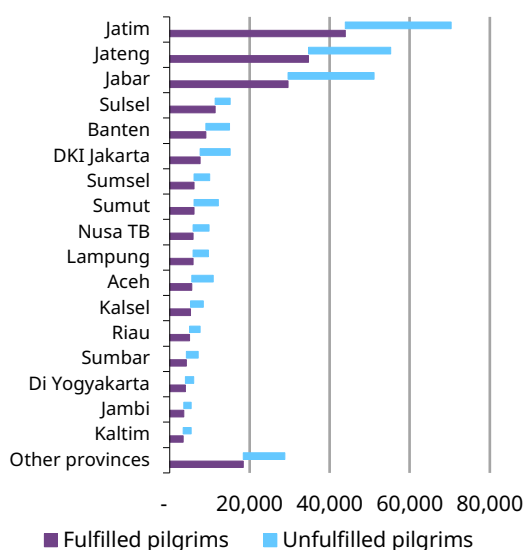
The Hajj fulfilment pipeline in Indonesia varies by province; it is no surprise that Java has the highest number of registered Hajj pilgrims. Based on currently available data, unfulfilled pilgrims from three major Java provinces account for 56% of Indonesians (Chart 3, p5). This indicates need for further Hajj fund growth as the pilgrimage pipeline continues to build.

1. For more, see: [Haji Financial Management Agency](#).

2. For more, see: [Haji Financial Management Agency Benefit Value](#).

**Chart 3: Hajj pilgrim distribution by province**

Comparison of fulfilled vs unfulfilled pilgrims*



*As of 31 December 2025

Provinces: Jabar: Jawa Barat (West Java), Jateng: Jawa Tengah (Central Java), Jatim = Jawa Timur (East Java). These are provinces on the island of Java.

Source: Ministry of Religious Affairs, World Gold Council

The strategic role of gold in Hajj fund portfolios

Hajj funds maintain predominantly fixed income (sukuk)-heavy portfolios. Around half of these portfolios are allocated to sukuk³ - Islamic fixed income instruments. Another 10~20% are allocated to Shari'ah-compliant equities, and 10~20% to real estate and other assets. Malaysia's Tabung Haji,⁴ for example, was noted to allocate 57% in sukuk, 27% in equities, and the remaining allocation to real estate (7%) and money market instruments (9%) according to its 2024 [financial report](#).

Gold can play a valuable complementary role in Hajj fund portfolios. These sukuk-heavy funds demonstrate limited diversification benefits from equities and real estate. Gold could enhance overall returns, preserve the real purchasing power of pilgrims' savings, and support the long-term mandate to deliver stable, sustainable returns.

3. Sukuk is a Shari'ah compliant bond-like instrument in Islamic finance. Instead of a debt obligation, it provides ownership of the underlying asset. It allows for debt financing without interest.

Gold in Islamic finance: a Shari'ah perspective

Gold is a Shari'ah-compliant asset with potential as a portfolio diversifier for Hajj funds, yet allocations remain minimal or absent, partly due to regulatory constraints. In Indonesia, for instance, gold is classified as a commodity, requiring institutions to hold additional regulatory capital.

However, the regulatory landscape is evolving. The introduction of POJK No. 2 of 2026, which establishes a framework for gold-backed ETFs on the Indonesia Stock Exchange, marks a significant step in integrating institutional gold exposure into the formal capital markets.

World Gold Council, together with the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) developed and issued [Shari'ah Standard No. 57 on Gold and its Trading Controls](#). Core trading principles include:

- Gold-for-gold transactions must be equal in weight and settled on a spot basis
- Gold may be exchanged for currencies or silver at mutually agreed prices, provided both sides are settled immediately
- Gold transactions must meet the requirement for immediate ownership transfer, though physical delivery can be deferred. The Shari'ah gold standard allows compliant structures such as ETFs, provided ownership transfers at spot and the gold is allocated, giving the investor the right to take delivery.
- Unallocated gold, where no specific bars are assigned, does not meet Shari'ah requirements for ownership and possession and is therefore impermissible in investment contexts.

The standard provides a framework of gold's treatment under Islamic law, with its permissibility depends on structure, ownership, and settlement mechanics. When these conditions are met, gold can be held as a Shari'ah-compliant asset consistent with conservative, capital-preservation objectives.

4. For more, see: [Malaysia Lembaga Tabung Haji](#).

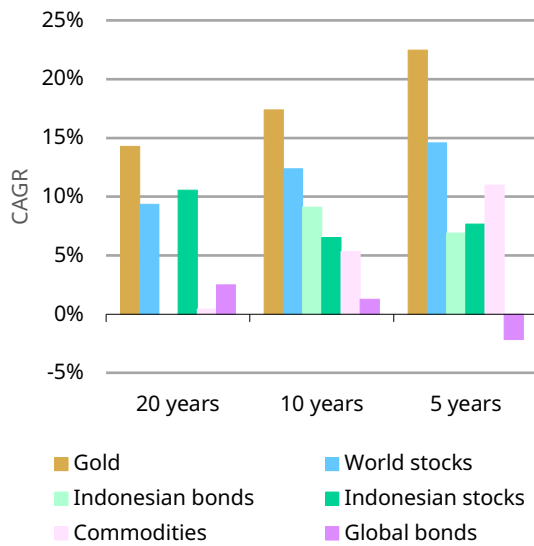


A long-term and stable source of return

Historically, gold has provided stable returns during various economic cycles (Chart 4). Its diverse sources of demand give gold a particular resilience and the potential to deliver solid returns in various market conditions. During periods of economic uncertainty it is the counter-cyclical investment demand that drives up the price of gold, during periods of economic expansion, the pro-cyclical consumer demand supports its performance.

Chart 4: Gold has consistently generated notable returns over the past 20 years

Assets' compound annual growth rate (CAGR)*



*Data between December 2005 and December 2025. Based on the MSCI World Index, Bloomberg Global Aggregate Total Return Index, Jakarta Stock Exchange Composite Index (JCI), IBPA/PHEI Indonesia Government Bond Index, Bloomberg Commodity Index, and the LBMA Gold Price PM. All calculations in IDR. Source: Bloomberg, World Gold Council

Meanwhile, gold has significantly outperformed all major currencies and commodities. A key factor behind this robust performance is that the above-ground stock of gold grows slowly over time, at a rate of just 1.7% per year over the past 25 years. In contrast, the money supply of currencies has increased at a significantly higher rate (7.3%) over the same period.⁵

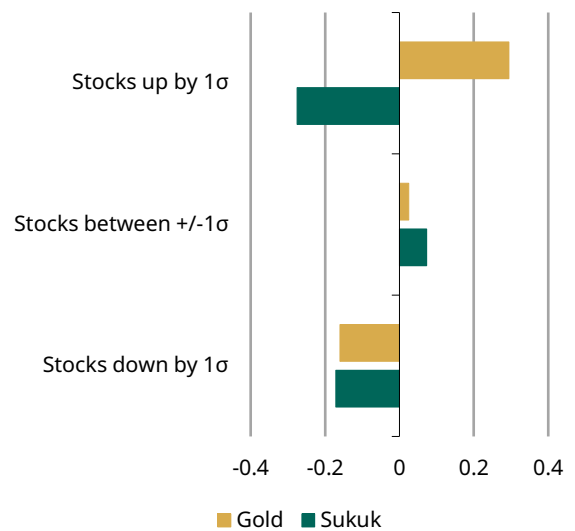
5. Money supply includes M2 from five countries: US, China, ECB, Japan, UK, all in US\$, indexed to Q3 2000. The methodology determining the above-ground

Unique diversification benefits

In addition to these benefits, gold is key to diversifying Hajj fund's equity exposure. Chart 5 reveals gold's unique correlation with Shari'ah equities: negatively correlated during periods of stress when Shari'ah equities fall by one standard deviation; almost uncorrelated during normal conditions; and positively correlated when equities rally. In fact, this unique characteristic between gold and equities can also be seen in other regions.

Chart 5: Gold offers diversification benefits when equities sell off

Conditional correlations of gold and sukuk with Shari'ah equities across market environments*



*Data between January 2006 and April 2026. Correlations based on weekly returns in yen for 'stocks': S&P Shari'ah Index; 'Sukuk': FTSE IdealRatings Sukuk Index and 'gold': LBMA Gold Price PM. The top bar corresponds to the respective correlations when the S&P Shari'ah Index weekly returns rise by more than 1σ (157 observations). The middle bar corresponds to the respective correlations when the S&P Shari'ah Index weekly returns are between 1σ (786 observations), while the bottom bar corresponds to the respective correlation when the S&P Shari'ah Index weekly returns fall by more than 1σ (113 observations). All calculations are in IDR.. Source: Bloomberg, World Gold Council

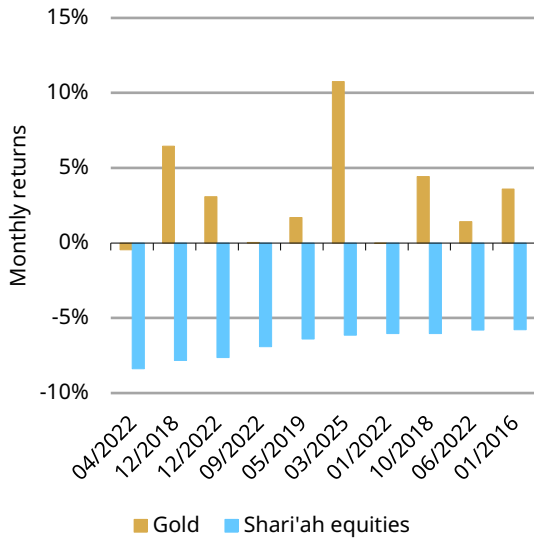
Compared with global Shari'ah equities, gold provides diversification and stabilising benefits. In ten worst months for global Shari'ah equities over the past ten years, gold posted positive returns in eight of those ten months (Chart 6, p4).

stock of gold can be found here: [How Much Gold Has Been Mined?](#) | World Gold Council.



Chart 6: Gold as a defensive asset during equity drawdowns

In the worst performing ten months for equities over the past ten years, gold was positive 80% of the time*



*Data from 31 December 2014 to 31 December 2025 Indices used: S&P 500 Shari'ah USD Total Return Index (SPSHXT), LBMA Gold Price PM, both in IDR. Source: Bloomberg, World Gold Council

An effective portfolio enhancer

These properties enable gold to improve the risk-adjusted returns of a hypothetical Hajj fund portfolio. To illustrate gold's impact, we constructed a simplified version – global sukuk (60%), global Shari'ah equities (30%) and global Shari'ah REITS (10%) – as a hypothetical benchmark Hajj fund portfolio. Gold's allocation comes from proportionally reducing the weight of other assets.

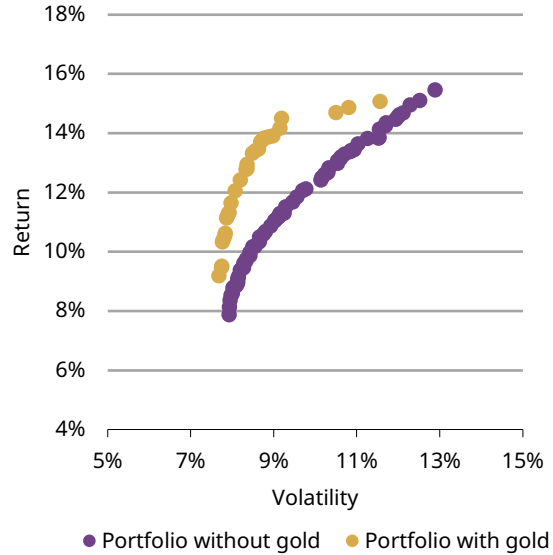
Across 1,000 portfolio simulations, even a modest 5% allocation to gold consistently improved risk-adjusted returns within a Shari'ah-compliant portfolio. As shown in **Chart 7**, portfolios with gold achieved comparable or higher returns with lower levels of risk relative to portfolios without gold, enhancing portfolio efficiency within a Hajj fund investment.

Conclusion

Our analysis shows gold's versatility as an asset class, in this case within liability driven investing strategies. We noted that sukuk instruments and gold respond to similar drivers and saw that gold provides downside protection against equity drawdowns. Gold's versatility is highlighted below:

Chart 7: An allocation to gold improves a hypothetical Hajj fund portfolio's performance

Efficient frontier of a hypothetical Hajj portfolio with 5% gold and without gold*



*Monthly data from 31 December 2014 to 31 December 2025. Indices used S&P 500 Shari'ah USD Total Return Index (60%), FTSE IdealRatings Sukuk Index (30%), S&P Global REIT Shari'ah Total Return Index (10%), LBMA Gold Price PM (5%). All indices are in IDR. The allocation to gold and bitcoin comes from proportionally reducing all assets. Risk-adjusted returns are calculated as the annualized return/annualized volatility. Source: Bloomberg, World Gold Council

- **Providing stable returns and a hedge against fiat currencies**

Gold has generated an annual average return of 14% over the past 20 years in IDR. pilgrimage costs are denominated in Saudi riyals, which are pegged to the US dollar and as globally priced in dollars, an allocation can act as a natural hedge against currency depreciation, helping align asset values with future expenditure obligations.

- **Protecting portfolios**

Gold has historically exhibited unique correlations with Shari'ah equities in various market conditions, helping to stabilise portfolio performance during periods of market stress. For Hajj funds with long-term horizons and limited tolerance for capital impairment, this resilience supports capital preservation across cycles.

Our analysis shows that incorporating gold improves portfolio risk-adjusted returns. This outcome is not only consistent with the capital-preservation mandates typical of such endowment but it also enhances portfolio efficiency without compromising liquidity.



World Gold Council

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We drive industry progress, shaping policy and setting the standards for a perpetual and sustainable gold market.

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