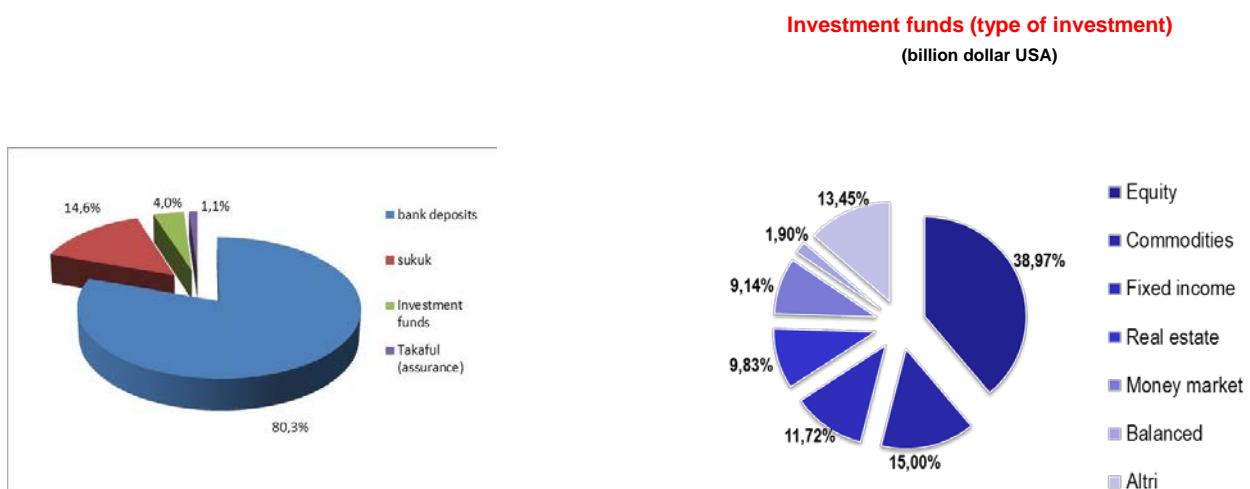


Enrico Giustiniani¹:

An Islamic rating for Italian companies

AIAF (Italian Association of Financial Analysts) is a non-profit association. The Islamic finance working group has shown the increasing of the Islamic finance in Europe, in particular products and services Sharia compliant, in order to support the infrastructural investments started by Middle East Countries and from south-east Asia. The current volume of activity attributable to Sharia compliant finance is about 1.8 trillion dollars, mainly invested in bank deposits.

The Islamic funds represent about 4% of the Islamic financial industry, but are observing a rapid growth.



Of these funds, 39% of assets are invested in equity instruments, 15% in commodities, 12% in fixed income instruments, about 10% in real estate and 9% in money market instruments.

Italy, with its beautiful land, the activity related to made in Italy and the many businesses high-value of small and medium size (still not open to internationalization and capital markets), is attractive for Islamic investments.

The AIAF research aims to highlight the benefits that Italian companies may take looking at Islamic finance as valid options to conventional financing in an international perspective that includes also distribution and marketing of products and services Sharia compliant.

The intent of this research is also to point out how the Italian productive system can be a good opportunity for Islamic investors, also for the consolidated appeal of *Made in Italy* in those areas.

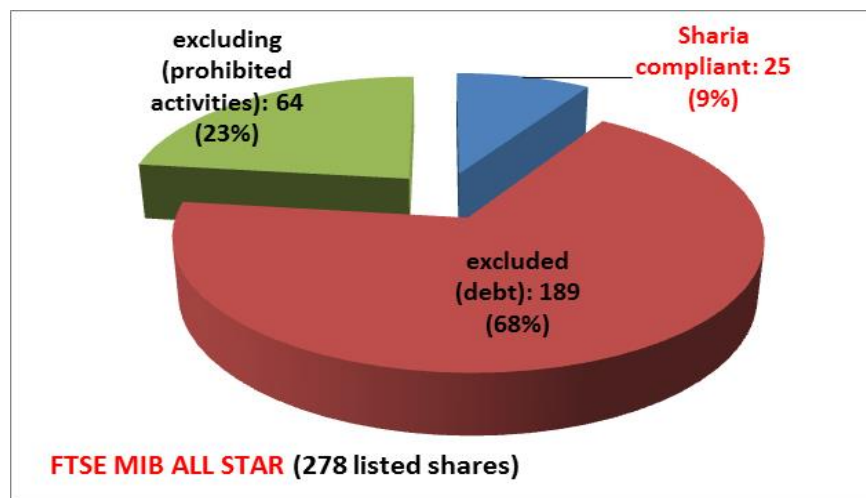
In an analysis conducted in the period 2002-2013 was established and observed an Islamic index of listed companies in the Italian Stock Exchange. The methodologies for managing Islamic funds are similar to the traditional ones, but they have their own peculiarities and a scale of values for the most ethical and the ultimate objective is the profit in accordance with the religious principles of Sharia.

In this evaluation, that excludes all companies with business forbidden by Islamic Law (Riba, Maisir, Gharar and Haram) and companies with unbalanced debt ratios, Sharia excludes about 50% of the companies in Standard & Poors 500, 75% of companies included in the Wilshire 5000 and around 60% of shares present in the Morgan Stanley Capital International and Dow Jones; are also excluded about 90% of the companies listed on the FTSE-MIB in Milan.

The Islamic financial field prohibits *Riba*, *Maysir* (speculation) and *Gharar* (economic practices that involve ambiguity or uncertainty) and prohibits investment in areas prohibited by the Koran such as, for example, alcohol, life insurance, tobacco, gambling, arms production, pornography, and any pork related product.

On 09/30/2013 FTSE Shariah All World had a basket of 1,381 shares vs 2,888 of the benchmark FTSE All World and the Italian shares included were: Buzzi Unicem, Enel, Enel Green Power, Eni, Exor, Fiat, Luxottica, Parmalat, Pirelli, Prysmian, Saipem e Tenaris e ST Microelectronics.

The graph below shows how the Islamic Index of the Italian Stock Exchange has excluded 189 companies for over-indebtedness, in addition to 64 other companies excluded as non-Sharia compliant.



The analysis show that the Italian industry, although it has been hard hit by the crisis, still has a great potential of growth and that the Italian excellences may be an important opportunity for Islamic funds. For Italian companies, moreover, be included in an index and be Islamic Sharia compliant could allow access to a large market such as the Islamic market and could convince investors to invest in Italy.