

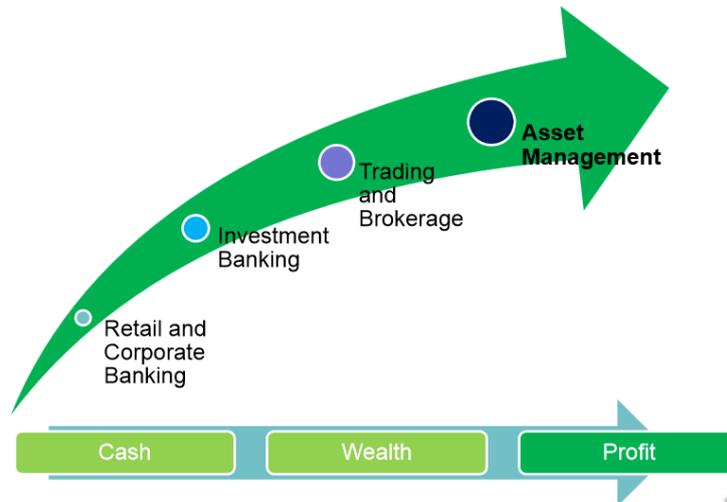
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The Islamic Asset Management

The asset management is the extreme evolution in the value chain of banking services and it allows the conversion of cash into a profit.

Development in Financial Services

Wealth preservation and growth are the key objectives in asset management



The Islamic asset management is a molecular system in which there is an aspect related to financial markets (which today are very solid) and the number of customers is progressing, especially the number of customers of Muslim religion.

1 Turkey Country Manager for Azimut Holding Group.

Are Religious Beliefs so important?

Basic needs of money storage faces shortfalls even in Muslim Countries

Country	Religiosity*	Adults with no account due to religious reasons (% age 15+)**
Tunisia	93%	26.8%
Morocco	97%	26.8%
Saudi Arabia	93%	24.1%
Oman	n.a.	14.2%
Qatar	95%	11.6%
Turkey	82%	7.9%
UAE	91%	3.2%
Algeria	95%	7.6%
Lebanon	87%	7.6%
Pakistan	92%	7.2%
Kuwait	91%	2.6%

(*) Religiosity: Percentage of adults who responded affirmatively to the question "Is religion an important part of your daily life?" in a 2010 Gallup poll

(**) Global Findex (Demirguc-Kunt and Klapper 2012)

Source: AZ Fund elaboration on Global Financial Development Report 2014, Islamic Banking Association

The table shows the situation in some Muslim-majority countries and shows the percentage of adults who do not have a bank account because they don't find a financial solution in accordance with their religion.

The Asset Management industry is an important provider of liquidity needed to ensure the functioning of the economy through a process of capital allocation that makes individuals financial objectives to match with the capital requirements of sovereign, companies and other individuals.

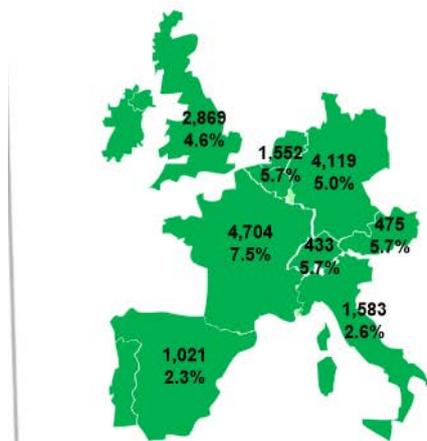
When one looks to the Muslim world from the economic point of view it comes to countries which together generate a budget surplus of over \$ 150 billion per year and they are countries with a very high credit standing and very significant growth rates.

Analyzing the market of Muslim investors in geographical contexts such as Europe, we find that almost all European countries have percentages of Muslim population ranging from 5% to 10%, generating remittances for about 80 billion euro a year.

The Wealth of Muslim Countries

A growing role in the European economic environment

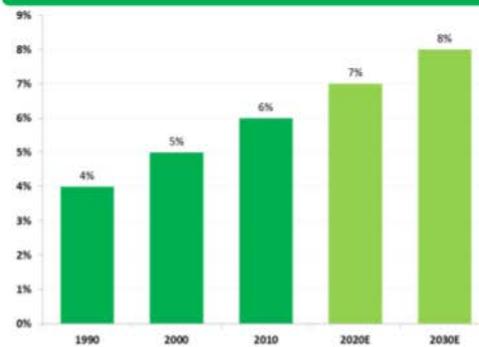
Muslim Population (thousands, as % of total)



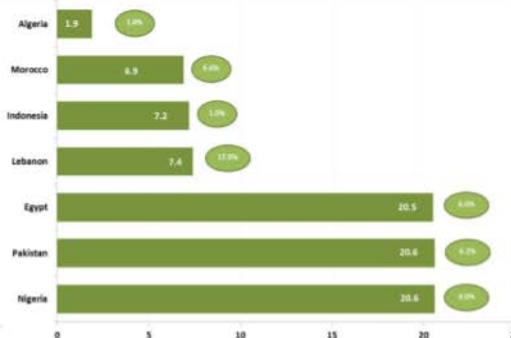
Source for all charts: AZ Global, PEW Research, Deloitte, World Bank



Muslim Population in Europe (as % of total)



Remittances (USD billion, as % of GDP)



Starting from the conventional models of asset management is necessary to provide solutions that are coherent with the moral law of Islam and must take account of two systems: that of the instruments (sukuk, use of cash, investments in commodities, equities) that are contained in ' the typical products of the Islamic asset management: brokerage activities, the mutual funds, pension funds, private equity funds, ..).

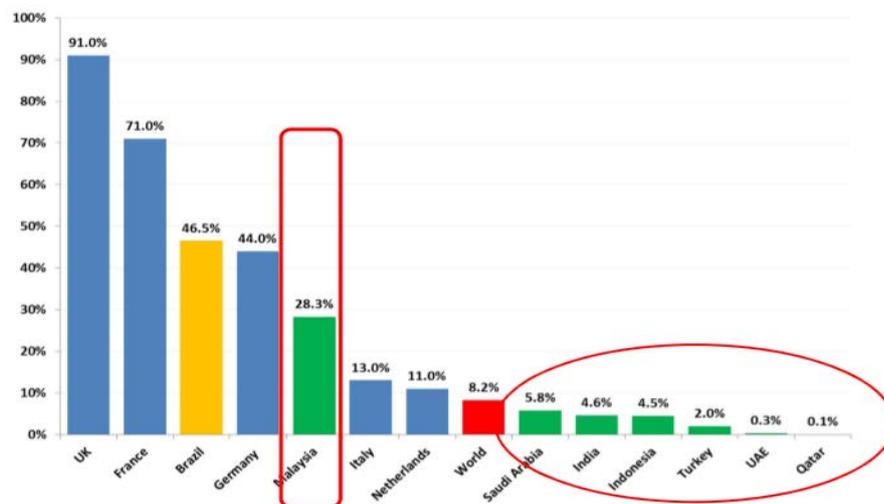
Islamic mutual funds adds Sharia compliance to all aspects of money management.

Today, mutual funds are considered by Islamic investors a very effective and efficient instrument in order to manage their savings, although at present it is an industry with extremely small Islamic mutual funds of only \$ 56 billion.

The reasons are related to some geographical aspects.

One of the biggest Opportunities in Asset Management

Muslim countries show the lowest penetration of funds in local capital markets



This graph shows the percentage of the size of the mutual funds in some countries relative to GDP. The Muslim-majority countries today have rates below 5% (with the exception of Malaysia). That is because, although the rate of financial interest is not Sharia compliant, actually for investors of Muslim countries the expected return is very high.

In the Islamic world the typical financial needs of the past, like to have available liquidity, fight against inflation, protect its currency from fluctuations, look for long-term stability, are evolving in today needs such as the need to repay the loans, children's education, holidays, retirement. These financial needs require solutions of asset allocations more complex that diversify the investment both in time and in terms of risk.

Azimut is a company that for more than 30 years operates in asset management in Italy. It is an independent company that operates worldwide and has perceived that the sukuk are going to fill a gap in the financial products available to Islamic investors. Azimut has created a mutual fund managed, according to the principles of Sharia, that offers the opportunity to be placed within a band of risk that allows the achievement of goals that are neither a very short term and with a low profit rate, neither long-term and high risk, and found that this type of product is suitable for everyone, not just for Muslims.

Azimut in November of 2013, with the intervention of the main independent asset management company in Turkey (Azimut Global), has launched the Global Sukuk Fund. Azimut has appointed a Sharia Supervisory Board to supervise the compliance of the fund to the Sharia principles of investment. The fund is currently distributed in Luxembourg, Italy and Turkey, and it has Assets Under Management of approximately USD100 million, making it the largest UCITS sukuk fund in the world.

Sukuk issuers are diversified and sukuk are an instrument of Islamic finance but are also issued by non-Islamic companies: it is a demonstration the recent issuance of Luxembourg, England, Hong Kong and South Africa showing that they are tools that have an universal vocation also from the

point of view of the issuer.

Building a Portfolio of Sukuk

High diversification across geographies and sectors in USD liquid sukuk with high rating

Portfolio Snapshot		Geographical breakdown	
Number of holdings	47	United Arab Emirates	32.8%
Average Maturity (weighted)	4.23	Supranational	14.2%
Average Duration (weighted)	3.69	United Kingdom	12.0%
Yield to Maturity	2.92	Qatar	10.4%
Average Rating	BBB+	Turkey	9.3%
		Hong Kong	7.4%
		Saudi Arabia	3.9%
		Indonesia	1.5%
		South Africa	1.2%
		Malaysia	1.1%
		Senegal	0.7%
		United States	1.2%
		Others	1.3%
		Cash & Cash equivalents	3.0%
		Total	100.0%

Portfolio Composition	
Fixed Income	97.0%
Cash & Cash equivalents	3.0%
Total	100.0%
USD	82.5%
GBP	12.0%
AED	2.8%
SGD	0.7%
XOF	0.7%
EUR	0.6%
MYR	0.6%

Sectors breakdown	
Government	40.0%
Financial	48.6%
Utilities	4.0%
Consumer, Cyclical	2.4%
Industrial	2.0%
Consumer, Non-cyclical	1.8%
Communications	1.2%
Total	100.0%

Today investing in this instrument is not only an opportunity for profit or an opportunity to bridge the gap of the portfolio, but allows to make investments that are decorrelated from the rest of world. The correlation of the Down Jones Sukuk demonstrates that no matter where are the rates, which are commodities or wars, but these tools seem to be independent from the large global financial trends.

Today it is important to invest in a fund like this, because invest in these instruments is a proposition very defensive, allows to invest in markets that have a very high credit standing and good fundamentals that give the opportunity to diversify with an ethical perspective.