



Index overview

FTSE
Russell

FTSE IdealRatings Islamic Index Series

A Shariah solution to your equity investment allocations

Overview

Access the global equity investment universe in a way that complies with Shariah investment principles

The Index

The FTSE IdealRatings Islamic Index Series has been designed as a capitalisation-weighted and investable global Shariah-compliant index that takes a carefully constructed approach to screening for business activities and financial ratios.

The FTSE IdealRatings Islamic Index Series is designed to provide a family of Shariah compliant indices for global investors. Screening is undertaken by Shariah screening provider, IdealRatings. The series has been fully certified as Shariah-compliant through the issue of a Fatwa (Islamic legal opinion) by IdealRatings' principals.

The FTSE IdealRatings Islamic Index Series includes a range of indices based on the FTSE Global Equity Index Series, regional indices from the FTSE Global Total Cap Index and the FTSE Frontier Index, as well as indices from the Russell US Index family and the FTSE Global Infrastructure Index Series. The screening approach follows a set of transparent principles that cover both business activity screening and financial screening.

The headline index series includes:

- FTSE IdealRatings All-World Islamic Index
- FTSE IdealRatings Developed Islamic Index
- FTSE IdealRatings Emerging Islamic Index
- FTSE IdealRatings Middle East & Africa Extended Islamic Index
- FTSE IdealRatings Middle East & North Africa Extended Islamic Index
- FTSE IdealRatings GCC Extended Islamic Index
- FTSE IdealRatings Global Core Infrastructure 50/50 Islamic Index
- Russell IdealRatings 1000 Islamic index

There will also be additional regional and country level sub indices available for licence.

About IdealRatings

IdealRatings is a leading provider of Responsible Investment research where it has been involved in the Shariah screening market since 2006 with clients across more than 30 countries globally and a large footprint in the Middle East and South East Asia. They have been a trusted partner of FTSE Russell since 2017 via the jointly managed FTSE EPRA NAREIT IdealRatings Islamic Index Series and the FTSE IdealRatings Sukuk Index Series.

Features

The FTSE IdealRatings Islamic Index Series is designed to provide a family of Shariah-compliant indices for global investors, with screening undertaken by Shariah screening providers, IdealRatings

Coverage

The FTSE IdealRatings Islamic Index Series covers all regions across both developed and emerging markets, to create a comprehensive Shariah indexing solution.

Impartial and Investable

By partnering with IdealRatings, an impartial research provider, FTSE Russell remains neutral and fully up to date with latest practices. IdealRatings' services have been reviewed and approved by several Islamic scholars, advisors and institutions globally. Stocks are selected and weighted to ensure that the index is investable.

Fatwa certified

The FTSE IdealRatings Islamic Index Series has been fully certified as Shariah-compliant through the issue of a Fatwa (Islamic legal opinion).

Transparent and Liquid

Index methodologies are freely available on the FTSE Russell website, while stocks are screened to ensure that the index is tradeable.

Availability

Capital and Total Return Indices are available.

Screening criteria

Business screening activities

Investment is not allowed in companies deriving more than 5% of their total revenue (cumulatively) from any of the following activities:

Business screening (prohibitions)	
Alcohol: distillers, vintners and producers of alcoholic beverages, including producers of beer and malt liquors, owners and operators of bars and pubs.	Defence/Weapons: manufacturers of military aerospace and defence equipment, parts or products, including defence electronics and space equipment.
Tobacco: cigarettes and other tobacco products manufacturers and retailers.	Gambling/Casino: owners and operators of casinos and gaming facilities, including companies providing lottery, online games or betting services.
Pork-related products: companies involved in the manufacture and retail of pork products.	Music: producers and distributors of music, owners and operators of radio broadcasting systems.
Conventional Financial Services: commercial banks involved in retail banking, corporate lending, investment banking; companies involved in mortgage and mortgage-related services; providers of financial services, including insurance, capital markets and specialised finance; credit agencies; stock exchanges; specialty boutiques; consumer finance services, including personal credit, credit cards, lease financing, travel-related money services and pawn shops; financial institutions primarily engaged in investment management, related custody and securities fee-based services; companies operating mutual funds, closed-end funds and unit investment trusts; financial institutions primarily engaged in investment banking and brokerage services, including equity and debt underwriting, mergers and acquisitions; securities lending and advisory services institutions; and insurance and reinsurance brokerage firms, including companies providing property, casualty, life disability, indemnity or supplemental health insurance.	Cinema: companies engaged in the production, distribution and screening of movies and television shows, owners and operators of television broadcasting systems and providers of cable or satellite television services.
Advertising Services: Television, newspapers and billboards.	Adult Entertainment: owners and operators of adult entertainment products and activities.
Gold & Silver Hedging: Traders of gold & silver as cash or on deferred basis.	Not Slaughtering according to Islamic or Monotheistic principles: Food producers or processing companies not following the Islamic or Monotheistic guidelines in the slaughtering of animal.

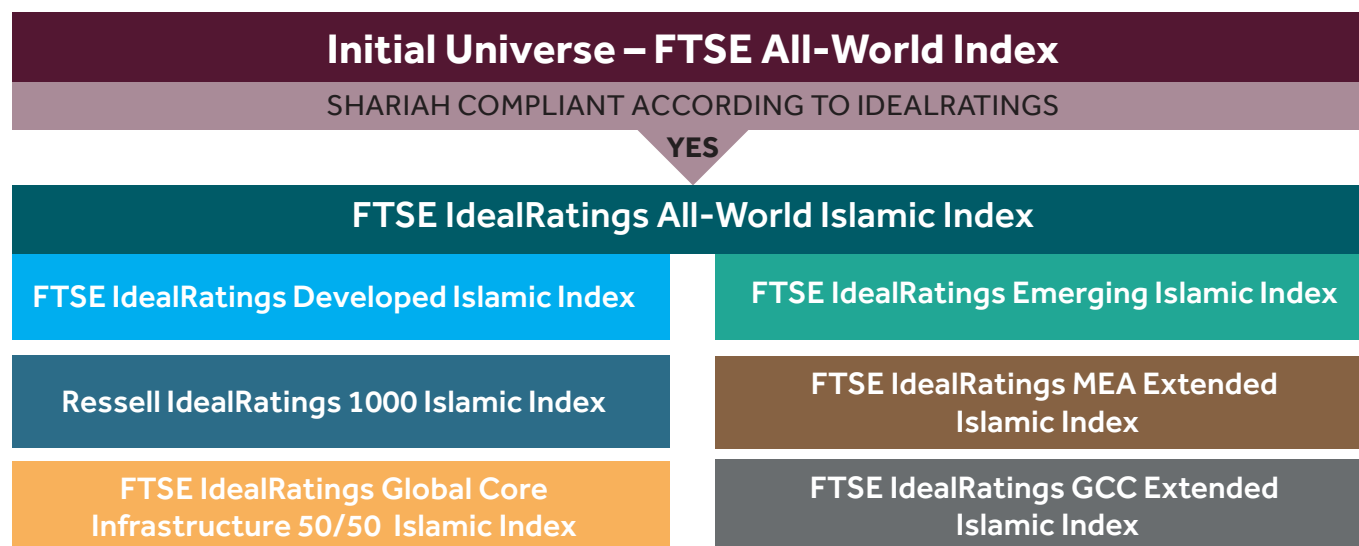
Financial screening activities

Investment is not allowed in companies with financial ratios violating the following criteria:

Financial screening (No investment allowed in companies where):	
Total conventional debt over average daily market capitalisation for the prior 24 months exceeds 33%. If the average market capitalisation of the company falls below the total asset value, total assets are then used in calculating the percentage above.	The revenue that Islamic Financial Institutions derive from Financial Services will not be considered revenue from a prohibited activity. Islamic Financial Institutions will not be subject to the business or financial Screening criteria above.
Sum of a company's cash and short term interest bearing securities over average daily market capitalisation for the prior 24 months exceeds 33%. If the average market capitalisation of the company falls below the total asset value, total assets are then used in calculating the percentage above.	No investment in trust units is allowed.
The total non-permissible income generated from conventional interest income and any non-compliant activities should not exceed 5% of the total income generated by the company.	No investment in fixed income preferred shares is allowed.

Index methodology

IdealRatings has developed a research methodology to accurately analyse companies' business activities and revenue breakdown. It helps identify more than 40 unique categories of Shariah guidelines in addition to the financial ratios of Shariah non-compliant activities.



Index construction process

Taking the FTSE All-World Index as a starting point, FTSE Russell's Islamic equity indexes are built with the main precepts of Islamic finance in mind and follow a two-stage process.

Stage 1: Business screening

At the first stage, companies involved in specified areas of business activity are excluded from the starting set of securities for the equity index. The threshold for index inclusion is typically that the total sum of non-permissible income should not exceed 5 percent of a company's total revenue and interest income. A comprehensive list of exclusions can be found in the screening criteria section of this document.

Stage 2: Financial screening

At the second stage, the remaining companies are screened on a financial basis and have to meet certain financial ratios to be considered Shariah-compliant. Typically, these ratios are set as follows:

- Total conventional debt over average daily market capitalisation for the prior 24 months exceeds 33%. If the average market capitalisation of the company falls below its total asset value, the total assets are used to calculate the percentage.
- The total sum of a company's cash and short term interest bearing securities over average daily market capitalisation for the prior 24 months exceeds 33%. If the average market capitalisation of the company falls below its total asset value, total assets are used to calculate the percentage.
- Total non-permissible income generated from conventional interest income and any non-compliant activities should not exceed 5% of a company's total income.
- The revenue that Islamic Financial Institutions derive from Financial Services will not be considered revenue from a prohibited activity.
- No investment is allowed in either unit trusts or fixed income preferred shares.

Stage 3: Dividend purification

Best practice suggests that an appropriate purification level of dividends should be 5%. This ratio calculates the recommended purification amount to be paid by the investor.

Nuances of Index construction

Although the approaches of different Islamic equity index providers are broadly similar in terms of the business activity and financial screens, there are nuances in the way indices are constructed. FTSE Russell uses both market capitalisation based and asset based financial screening approaches in its Islamic equity index range: in our FTSE Global Equity Shariah Index Series we screen on a financial basis using companies' total assets, whilst in our FTSE IdealRatings Islamic Index Series, we screen using companies' market capitalisation (average over the previous 24 months).

Measuring Shariah compliance

Screening for Shariah-compliance across FTSE Russell's Islamic equity indices is undertaken by specialist Shariah consultants: Yasaar Limited in the case of the FTSE Global Equity Shariah index series and IdealRatings in the case of the FTSE IdealRatings Islamic index series. These consultants certify the indices as Shariah compliant through the issue of a Fatwa (Islamic legal opinion) by specialist Shariah scholars.

For more information about our indexes, please visit ftserussell.com.

© 2022 London Stock Exchange Group plc and its applicable group undertakings (the "LSE Group"). The LSE Group includes (1) FTSE International Limited ("FTSE"), (2) Frank Russell Company ("Russell"), (3) FTSE Global Debt Capital Markets Inc. and FTSE Global Debt Capital Markets Limited (together, "FTSE Canada"), (4) FTSE Fixed Income Europe Limited ("FTSE FI Europe"), (5) FTSE Fixed Income LLC ("FTSE FI"), (6) The Yield Book Inc ("YB") and (7) Beyond Ratings S.A.S. ("BR"). All rights reserved.

FTSE Russell® is a trading name of FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB and BR. "FTSE®", "Russell®", "FTSE Russell®", "FTSE4Good®", "ICB®", "The Yield Book®", "Beyond Ratings®" and all other trademarks and service marks used herein (whether registered or unregistered) are trademarks and/or service marks owned or licensed by the applicable member of the LSE Group or their respective licensors and are owned, or used under licence, by FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB or BR. FTSE International Limited is authorised and regulated by the Financial Conduct Authority as a benchmark administrator.

All information is provided for information purposes only. All information and data contained in this publication is obtained by the LSE Group, from sources believed by it to be accurate and reliable. Because of the possibility of human and mechanical error as well as other factors, however, such information and data is provided "as is" without warranty of any kind. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any claim, prediction, warranty or representation whatsoever, expressly or impliedly, either as to the accuracy, timeliness, completeness, merchantability of any information or of results to be obtained from the use of FTSE Russell products, including but not limited to indexes, data and analytics, or the fitness or suitability of the FTSE Russell products for any particular purpose to which they might be put. Any representation of historical data accessible through FTSE Russell products is provided for information purposes only and is not a reliable indicator of future performance.

No responsibility or liability can be accepted by any member of the LSE Group nor their respective directors, officers, employees, partners or licensors for (a) any loss or damage in whole or in part caused by, resulting from, or relating to any error (negligent or otherwise) or other circumstance involved in procuring, collecting, compiling, interpreting, analysing, editing, transcribing, transmitting, communicating or delivering any such information or data or from use of this document or links to this document or (b) any direct, indirect, special, consequential or incidental damages whatsoever, even if any member of the LSE Group is advised in advance of the possibility of such damages, resulting from the use of, or inability to use, such information.

No member of the LSE Group nor their respective directors, officers, employees, partners or licensors provide investment advice and nothing in this document should be taken as constituting financial or investment advice. No member of the LSE Group nor their respective directors, officers, employees, partners or licensors make any representation regarding the advisability of investing in any asset or whether such investment creates any legal or compliance risks for the investor. A decision to invest in any such asset should not be made in reliance on any information herein. Indexes cannot be invested in directly. Inclusion of an asset in an index is not a recommendation to buy, sell or hold that asset nor confirmation that any particular investor may lawfully buy, sell or hold the asset or an index containing the asset. The general information contained in this publication should not be acted upon without obtaining specific legal, tax, and investment advice from a licensed professional.

Past performance is no guarantee of future results. Charts and graphs are provided for illustrative purposes only. Index returns shown may not represent the results of the actual trading of investable assets. Certain returns shown may reflect back-tested performance. All performance presented prior to the index inception date is back-tested performance. Back-tested performance is not actual performance, but is hypothetical. The back-test calculations are based on the same methodology that was in effect when the index was officially launched. However, back-tested data may reflect the application of the index methodology with the benefit of hindsight, and the historic calculations of an index may change from month to month based on revisions to the underlying economic data used in the calculation of the index.

This document may contain forward-looking assessments. These are based upon a number of assumptions concerning future conditions that ultimately may prove to be inaccurate. Such forward-looking assessments are subject to risks and uncertainties and may be affected by various factors that may cause actual results to differ materially. No member of the LSE Group nor their licensors assume any duty to and do not undertake to update forward-looking assessments.

No part of this information may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without prior written permission of the applicable member of the LSE Group. Use and distribution of the LSE Group data requires a licence from FTSE, Russell, FTSE Canada, FTSE FI, FTSE FI Europe, YB, BR and/or their respective licensors.

About FTSE Russell

FTSE Russell is a leading global index provider creating and managing a wide range of indexes, data and analytic solutions to meet client needs across asset classes, style and strategies. Covering 98% of the investable market, FTSE Russell indexes offer a true picture of global markets, combined with the specialist knowledge gained from developing local benchmarks around the world.

FTSE Russell index expertise and products are used extensively by institutional and retail investors globally. For over 30 years, leading asset owners, asset managers, ETF providers and investment banks have chosen FTSE Russell indexes to benchmark their investment performance and create investment funds, ETFs, structured products and index-based derivatives. FTSE Russell indexes also provide clients with tools for asset allocation, investment strategy analysis and risk management.

A core set of universal principles guides FTSE Russell index design and management: a transparent rules-based methodology is informed by independent committees of leading market participants. FTSE Russell is focused on index innovation and customer partnership applying the highest industry standards and embracing the IOSCO Principles. FTSE Russell is wholly owned by London Stock Exchange Group.

For more information, visit ftserussell.com.

To learn more, visit ftserussell.com; email info@ftserussell.com; or call your regional Client Service Team office:

EMEA

+44 (0) 20 7866 1810

North America

+1 877 503 6437

Asia-Pacific

Hong Kong +852 2164 3333
Tokyo +81 3 4563 6346
Sydney +61 (0) 2 8823 3521