

Date: January 12, 2016

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**Investment Objective**

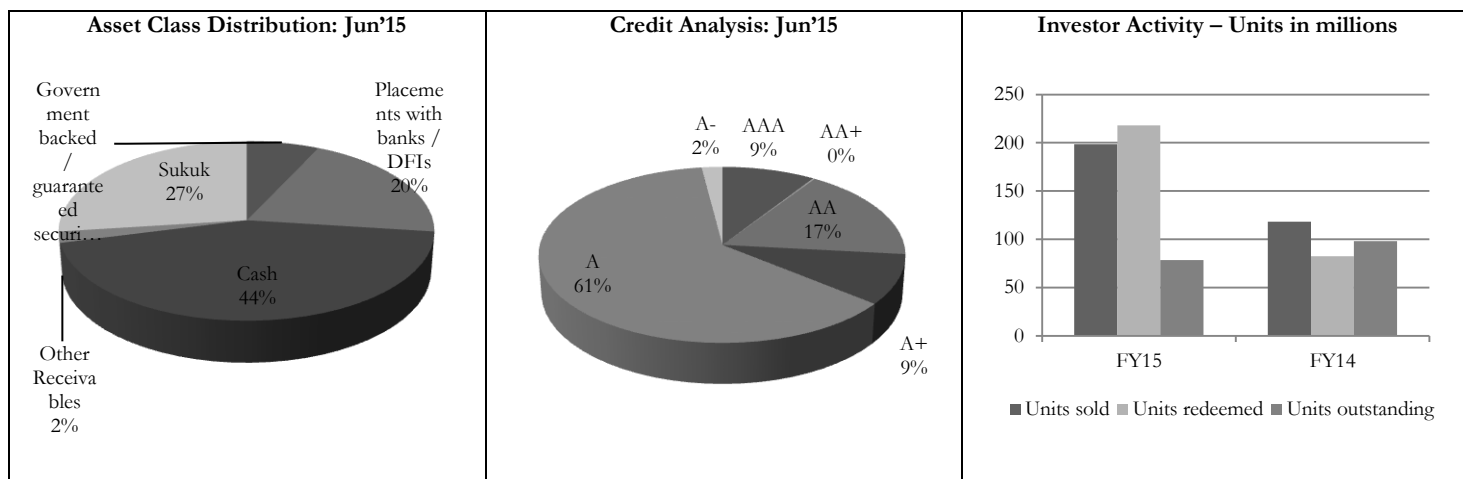
To provide investors with high and stable rate of income consistent with long term preservation of capital in a Shari’ah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation.

Meezan Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A-(f)</b>	<b>A-(f)</b>
	Jan 12, 2016	Oct 29, 2014
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	KPMG Taseer Hadi & Co.	
Fund Managers	Zain Malik	
Shariah Advisor	Meezan Bank Limited	
Trustee	Central Depository Company	
Front-end Load	0.50%	
Back-end Load	Contingent load for Type C Investors	
Management Fee	1.5%	
Benchmark	Average rate on deposits of 3 Islamic banks.	

	MIIF	
	FY15	FY14
Type of Scheme	Income	
Return (%)	8.2%	11.9%
Peer Average (%)	7.25%	7.48%
Benchmark (%)	5.0%	5.4%
Relative Ranking	4 out of 10	1 out of 10
Fund Size (in Rs. m)	4,263	4,918
Retail (%)	41.9%	30.4%
Associates (%)	15.3%	39.7%
Number of Investors	2,033	1,771
Top 10 Investors / AUMs	48.2%	55.8%
WATM (Weighted Average Time to Maturity)	2.13 years	0.85 years
Duration (for FY15)	1.11 years	
Asset Allocation (Based on month-end averages across the fiscal year)		
<i>Corporate Sukuks</i>	27%	7%
<i>Government backed / issued Securities</i>	7%	25%
<i>Placements with Banks</i>	20%	66%
<i>Cash &amp; Others inc. Rec.</i>	46%	2%
Total non-performing Investments (at end period)	143.9 (fully provided)	144.0 (fully provided)

# JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh



Meezan Islamic Income Fund (MIIF) as per its constitutive documents is allowed to invest in Shari'ah compliant instruments such as Sukuks, approved spread transactions, Musharaka & Murabaha and other Islamic income products. To ensure adequate liquidity levels, the fund shall invest 25% of net assets in cash and equivalent short term products while ratings of all counter parties shall be investment grade at minimum. Weighted Average time to Maturity (WATM) of the fund shall not exceed 4 years at any given point.

Net assets of the fund have decreased during FY15 to Rs. 4.3b at the end of the period (FY14: Rs. 4.9b). This drop has been accounted towards transfer of associate party investment whose proportion dropped to 15.3% (FY14: 39.7%). Though retail proportion has grown during the fiscal year, Top 10 concentration has remained high at 48.2% (FY14: 55.8%). Total AUMs grew to Rs. 7.9b at end-3MFY16, primarily driven by associate investment. This included AMIM fund of funds scheme placements which represented 29.2% of total fund size.

A declining interest rate scenario has resulted in a change in average asset allocation over the period. Due to lack of availability and high pricing of Shari'ah compliant Government of Pakistan debt and low rates of returns on bank deposits, a larger portion of funds have been directed

towards Shari'ah compliant private Corporate debt. Ratings of counter-parties have been maintained above 'A-' since December 2014. This has increased average WATM over the period to 1.14 years (FY14: 0.57 years).

At end-FY15, corporate investment was made to counter-parties such as K-Electric, Engro Fertilizer and Maple Leaf Cement Factory Limited. Investment concentration in these has been maintained below 15% total assets with K-Electric sukuk being the largest at 13.64%. Investments in non-performing sukuku have been fully provided for remaining relatively stagnant at Rs. 143.9m at end-FY15 (FY14: Rs. 144.0m). Downside risk emanating from the credit profile is stable while that from the investment portfolio is manageable.

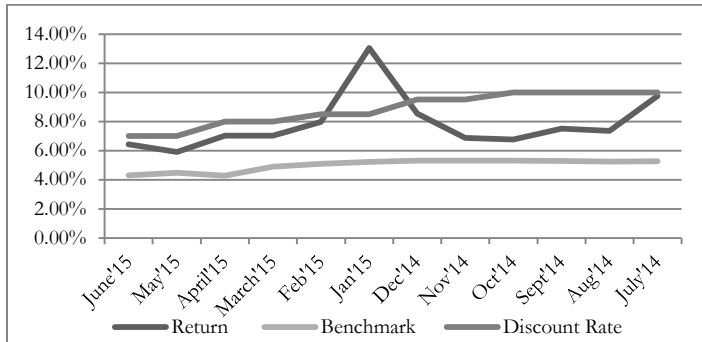
Returns of corporate instruments though superior, are pegged to market benchmark rates. This reduces the funds exposure to interest rate risk due to instruments re-pricing model. Increased allocation in corporate debt instruments has resulted in WATM of the fund to amount to 2.13 years at end-FY15 (FY14: 0.85 years).

Returns for FY15 have fallen to 8.2% (FY14: 11.9%) due to returns vs. risk investment strategy of the fund. The fund has had to sacrifice returns to ensure credit worthiness of counter-parties. Reduction in discount rate

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has further impacted performance of GoP Ijarah Sukuk holdings. Though returns are above the peer average, relative ranking now drops the fund to 4 out of 10 for the period (FY14: 1 out of 10). However, the fund does hold non-performing instruments whose reversal may have a positive impact on the returns of the fund. Monthly returns are depicted below:



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### Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	1/12/2016	A-(f)	Reaffirmed
Fund Stability	10/29/2014	A-(f)	Reaffirmed
Fund Stability	8/15/2013	A-(f)	Reaffirmed
Fund Stability	3/16/2012	A-(f)	Downgrade
Fund Stability	12/14/2010	A(f)	Downgrade