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Investment Objective

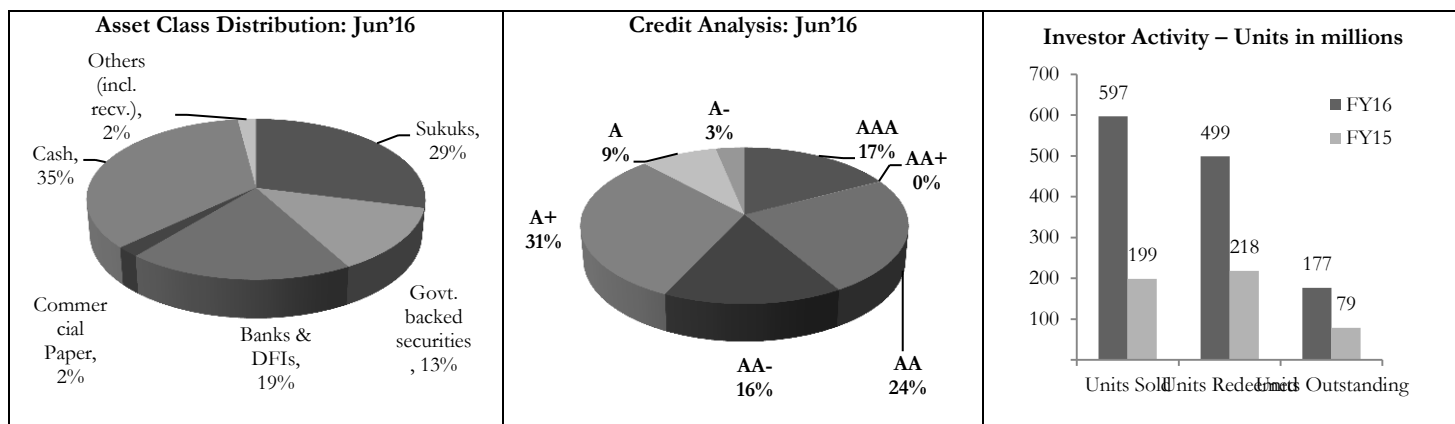
To provide investors with high and stable rate of income consistent with long term preservation of capital in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation.

Meezan Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A-(f) <i>Dec 30, 2016</i>	A-(f) <i>Jan 12, 2016</i>
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	KPMG Taseer Hadi & Co.	
Fund Managers	Zain Malik, CFA	
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	Six months average deposit rate of 3 Islamic banks or Islamic windows of conventional banks.	

	MIIF	
	FY16	FY15
Type of Scheme	Income	
Return (%)	5.8%	8.2%
Benchmark (%)	3.5%	5.0%
Peer Average (%)	5.0%	6.9%
Relative Ranking	3 out of 15	4 out of 14
Fund Size (in Rs. m)	9,051	4,263
Retail (%)	42%	43%
Associates (%)	17%	14%
Number of Investors	3,637	2,033
Top 10 Investors / AUMs	39%	48%
WATM (<i>Weighted Average Time to Maturity</i>) years	1.60 years	2.13 years
Duration (at end FY16)	62.0 days	
<i>Asset Allocation (Based on month-end averages across the fiscal year)</i>		
<i>Corporate Sukuks</i>	23%	20%
<i>Government backed / issued Securities</i>	10%	14%
<i>Placements with Banks</i>	20%	11%
<i>Commercial Paper</i>	2%	2%
<i>Cash & Others inc. Rec.</i>	46%	54%
Total non-performing Investments (at end period)	143.9 (fully provided)	143.9 (fully provided)

JCR-VIS Credit Rating Company Limited

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



Meezan Islamic Income Fund (MIIF) is a Shariah compliant open ended fund which is designed to provide investors with maximum long term risk adjusted return, subject to the necessary condition of principal preservation.

Table 1: Offering document (extract)

Approved investment avenues
Certificate of Investments based on Shariah compliant structures
Bank deposits in licensed Islamic banks & Islamic windows of conventional banks
Any Shari'ah compliant structure: Musharka, Muarabah, Ijarah and others
Spread transactions approved by Shariah advisors
Sharaih compliant debt securities
Any other Shariah compliant instrument approved by Shariah advisor and authorized by Commission

The Investment Committee (IC) comprises Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head of Risk Management and fund managers. Investment decisions are consensus based.

Nat assets of MIIF more than doubled to Rs. 9.1b (FY15: Rs. 4.3b) as at end FY16; this increase is attributable to all investor types (retail & corporations), maintaining their relative contribution at previous year levels. Since the fund has fully provisioned its non-performing investments, amounting to Rs. 143.9m, the prospective reversal of same is deemed to have attracted investment in FY16.

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'16	Jun'15	Average
Corporate Sukuks	29%	27%	23%
Govt. guaranteed securities	13%	7%	10%
Banks & DFIs	19%	20%	20%
Commercial Paper	2%	-	2%
Cash	35%	44%	45%
Others	2%	2%	1%
Total	100%	100%	

Asset allocation of MIIF did not undergo any substantial change over FY16. Given limited availability of government backed securities, the fund continued to invest in corporate sukuks. As at end June 2016, it held K-Electric Limited-II & III, Engro Fertilizer Limited I & II and Hascol sukuks. Moreover, in order to meet the necessary liquidity levels, it is required to maintain 25% of net assets as cash and cash equivalents. Complying with the requirement, excess liquidity was maintained, nonetheless, restraining returns.

Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	11%	21%	0%
AA+	1%	4%	0%
AA	17%	24%	14%
AA-	6%	15%	0%
A+	42%	56%	10%
A	19%	58%	1%
A-	4%	6%	2%

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Portfolio holdings remained under the maximum allowed exposure of 15% for a single investment; Government Ijarah Sukuk XVII (13%), K-Electric limited-III (12%) and Engro Fertilizers limited-II (8%) were the top holdings. Furthermore, 'A-' credit quality was the minimum rating the fund manager took exposure in, remaining portfolio was invested in above 'A-' rated securities.

Given increased relative investment in government backed securities of shorter tenors than corporate sukuks, as compared to last year, Weighted Average Time to Maturity (WATM) of the fund reduced to 1.60 years (FY15: 2.13 years); WATM remains sufficiently below the maximum allowed limit of 4 years.

Liquidity Profile

Although retail proportion stood at 42% (FY15: 43%), absolute increment in retail AUMs led to dilution in concentration, with top 10 investors accounting for a reduced 39% (FY15: 48%) of total net assets. Likewise, number of investors increased to 3,637 (FY15: 2,033) as at end FY16, mainly channelled from retail (FY16: 3,514; FY15: 1,960).

Fund Performance

Table 4: Fund performance

	FY16	FY15
Return (%)	5.8%	8.2%
Benchmark (%)	3.5%	5.0%
Peer Average	5.0%	6.9%
Relative Ranking	3/15	4/10

Although the fund was able to outperform its benchmark, returns remained on the lower side owing to the prevalent low interest rate. Against the peers, the fund was ranked 3rd out of 15 funds [\[JCR-VIS\]](#)

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/30/2016	A-(f)	Reaffirmed
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