

Date: January 8, 2018

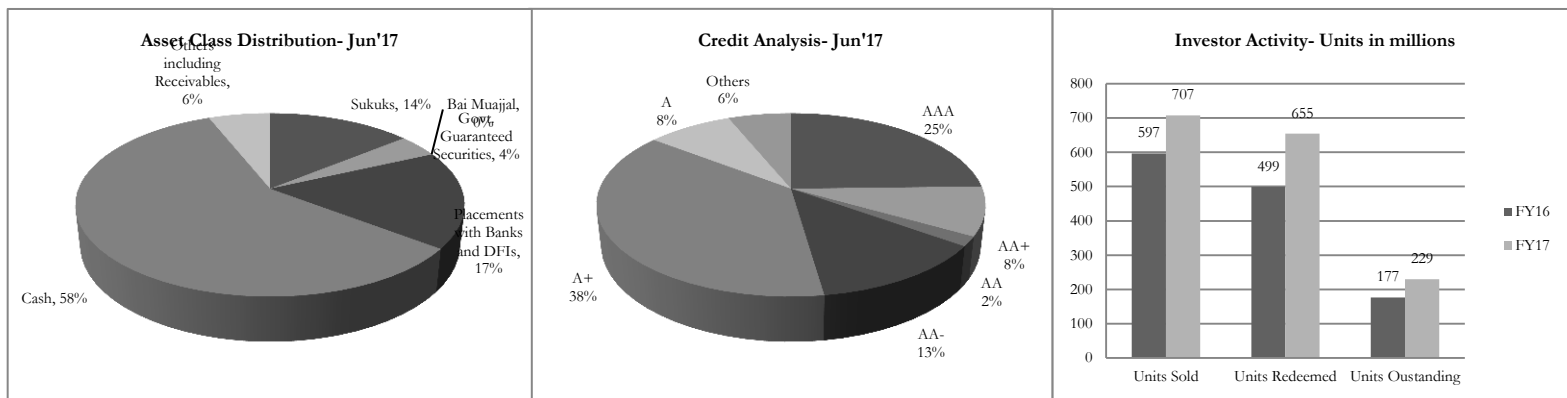
Analysts: Talha Iqbal
Asfia Aziz

Investment Objective

The Fund’s primary objective is to provide investors with a competitive and stable rate of current income 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 29, 2017</i>	A-(f) <i>Dec 30, 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	MF has been revised as 10% of gross earning subject to the minimum of 0.5% and maximum of 1.5% of average annual net assets	
Benchmark	Six months average deposit rates of three A rated scheduled Islamic Banks or Islamic windows of conventional bank as selected by MUFAP.	

MIIF	FY16	FY17
Type of Scheme	Income	
Return (%)	5.8%	5.1%
Peer Average (%)	5.0%	5.3%
Benchmark (%)	3.5%	2.8%
Relative Ranking	3 out of 15	13 out of 18
Fund Size (Rs. in m)	9,051	11,781
Retail (%)	42%	47%
Associates (%)	17%	29%
Number of Investors	3,637	4,646
Top 10 Investors / AUMs	39%	36%
Fund Stability Rating	A- (f)	A (f)
WATM	1.6 years	0.9 years
Modified Duration (at end-June)	0.17 years	0.17 years
Asset Allocation (at end-June)		
<i>Corporate Sukuks</i>	29%	14%
<i>Government backed / issued Securities</i>	13%	4%
<i>Placements with Banks</i>	19%	17%
<i>Cash & Others Inc. Rec.</i>	39%	64%
Total non-performing Investments	143.9	143.9



Meezan Islamic Income Fund (MIIF) is a Shariah compliant open end 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 Shariah compliant structure: Musharika, Muarabah, Ijarah and others
Spread transactions approved by Shariah advisors
Shariah 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 Research, Head of Risk Management and fund managers. Investment decisions are consensus based.

As at June end 2017, AUMs for the fund rose by 30% and amounted to Rs. 11.8b (FY16: Rs. 9b).

Credit Risk

Table 2: Asset Allocation

Assets	Jun'16	Jun'17
Corporate Sukuks	29%	14%
Govt. guaranteed securities	13%	4%
Banks & DFIs	19%	17%
Commercial Paper	2%	NA
Cash	35%	58%
Others	2%	7%

Total	100%	100%
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Recently, the fund’s investment policy has revised requiring MIIF to limit its exposure to minimum A rated securities (Previously A- rated securities). The fund has complied with the aforementioned throughout the year. As at end June 2017, the fund had investment in Sukuk of K-Electric Limited III, Engro Fertilizer Limited I, Fatima Fertilizer Limited and Hascol Petroleum Limited.

Portfolio holdings remained under the maximum allowed exposure for a single investment; Government Ijarah Sukuk XVII (3%), K-Electric limited-III (8%) and Engro Fertilizers limited-I (2%) were amongst the top holdings.

Table 3: Credit Quality Summary- FY17

Credit Quality	Average	Maximum	Minimum
AAA	17%	28%	10%
AA+	13%	18%	9%
AA	6%	11%	2%
AA-	11%	20%	5%
A+	33%	42%	22%
A	16%	34%	7%

Market Risk

Given the reduced investment in corporate and government sukuk and increase in cash and other receivables, Weighted Average Time to Maturity (WATM) of the fund reduced to 0.9 years (FY16: 1.6 years); WATM remains sufficiently below the maximum allowed limit of 4 years. WATM and Duration of the fund has remained in

line with policy guidelines and criteria for the assigned rating. Maximum duration during FY17 was reported at 150 days at end-Dec'2016.

Liquidity Profile

In order to meet the necessary liquidity levels, the fund is required to maintain 25% of net assets as cash and cash equivalents. Compliance with this requirement was noted during review period. Proportion of retail investment increased to 47% (FY16: 42%) resulting in dilution in concentration levels with top 10 investors accounting for a

reduced 36% (FY16: 39%) share of net assets. Number of investors increased to 4,646 (FY16: 3,637) as at end FY17.

Fund Performance

Table 4: Fund performance

	FY16	FY17
Return (%)	5.8%	5.1%
Benchmark (%)	3.5%	5.3%
Peer Average	5.0%	2.8%
Relative Ranking	3/15	13/18

The fund has outperformed the benchmark during FY17 but peer ranking of the fund was lower in FY17 vis-à-vis FY16 JCR-VIS

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/29/2017	A(f)	Upgrade
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