

**Date: December 28, 2018**

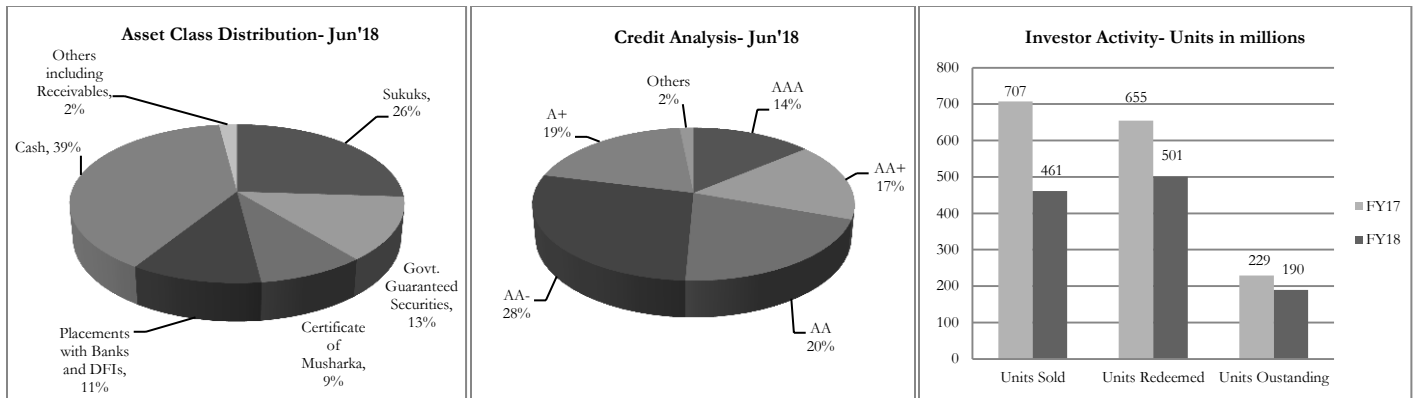
**Analysts:** Talha Iqbal  
Muhammad Tabish

**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.

<b>Meezan Islamic Income Fund</b>		
<b>Rating Category</b>	<b>Latest</b>	<b>Previous</b>
Fund Stability Rating	<b>A(f)</b> <i>Dec 28, 2018</i>	<b>A(f)</b> <i>Dec 29, 2017</i>
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	A.F. Ferguson and Co. Chartered Accountants	
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	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.	

<b>MIIF</b>	<b>FY17</b>	<b>FY18</b>
Type of Scheme	Income	
Return (%)	5.1%	4.3%
Peer Average (%)	5.3%	4.3%
Benchmark (%)	2.8%	2.4%
Relative Ranking	12 out of 17	10 out of 17
Fund Size (in Rs. m)	11,781	10,166
Retail (%)	47%	44%
Associates (%)	29%	26%
Number of Investors	4,646	5,372
Top 10 Investors / AUMs	35%	33%
Fund Stability Rating	A(f)	A(f)
WATM	0.9 years	2.08 years
Modified Duration (at end-June)	0.17 years	0.13 years
<b>Asset Allocation (at end-June)</b>		
<i>Corporate Sukuk</i>	14%	26%
<i>Government backed / issued Securities</i>	4%	13%
<i>Placements with Banks</i>	17%	11%
<i>Certificate of Musharaka</i>	NA	9%
<i>Cash &amp; Others Inc. Rec.</i>	65%	41%
Total non-performing Investments	143.9	143.9



Meezan Islamic Income Fund (MIIF) is a Shariah compliant open end fund which aims to provide investors comparable returns by investing in diversified pool of debt instruments, bank deposits and other approved investment avenues subject to the necessary condition of capital preservation. As at end-June 2018, net assets of the fund registered decline to Rs. 10.17b (FY17: Rs. 11.78b).

**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.

## Asset Allocation

**Table 2: Asset Allocation**

Assets	Jun'17	Jun'18
Corporate Sukuk	14%	26%
Govt. guaranteed securities	4%	13%
Placements with Banks and DFIs	17%	11%
Certificate of Musharka	NA	9%
Cash	56%	39%
Others	9%	2%

Total	100%	100%
-------	------	------

Asset allocation of the fund largely remained within the recently updated stipulated limits defined in the investment policy requiring MIIF to limit its exposure to minimum A rated securities. Although the fund can take exposure of up to 15% in A- rated instrument. The fund remained compliant with the aforementioned criteria throughout the year. Exposure in corporate Sukuk has witnessed a noticeable increase on a timeline basis. At end-June'2018, the fund parked 26% of its net assets in corporate Sukuk, 13% in government backed securities, 9% in Musharka agreements while 39% is held as cash.

## Credit Risk

**Table 3: Credit Quality Summary- FY18**

Credit Quality	Average	Maximum	Minimum
AAA	16%	26%	6%
AA+	15%	20%	11%
AA	12%	21%	5%
AA-	18%	28%	8%
A+	30%	50%	13%
A	6%	12%	0%

## Market Risk

With major investments in corporate Sukuk and sizeable cash placements, modified duration remained within the limit of 365 days as per the assigned rating. Highest duration was recorded in Sept'2017 at 80 days.

## JCR-VIS Credit Rating Company Limited

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

### Liquidity Profile

Fund is required to maintain 25% of net assets as cash and cash equivalents in order to meet the necessary liquidity levels. Compliance with this requirement was observed during review period. Retail investment of the fund maintained at similar levels in FY18 to 44% (FY17: 47%). Top 10 investors concentration was reported at 33% (FY17: 35%) in FY18. Furthermore, number of investors rose to 5,372 (FY17: 4,646) at end-June'2018.

### Fund Performance

Table 4: Fund performance

	FY17	FY18
<b>Return (%)</b>	5.1%	4.3%
<b>Benchmark (%)</b>	2.8%	2.4%
<b>Peer Average</b>	5.3%	4.3%
<b>Relative Ranking</b>	12/17	10/17

The fund was able to outperform the benchmark return during FY18 while return remained at par as compared to peer average JCR-VIS

### Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/28/2018	A(f)	Reaffirmed
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