

Date: January 7, 2020

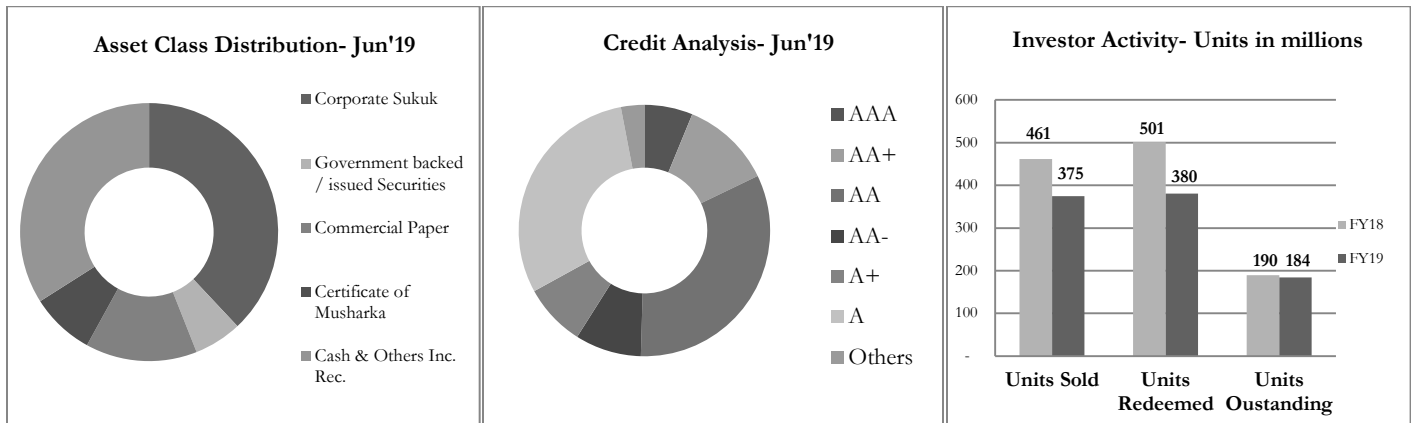
Analysts: Talha Iqbal
Muhammad Tabish

Investment Objective

The objective of the fund is to provide investors with a high and stable rate of current 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, 2019</i>	A(f) <i>Dec 28, 2018</i>
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	A.F. Ferguson and Co. Chartered Accountants	
Fund Managers	Faizan Saleem, CFA Level II, MBA	
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	6.5% 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	FY18	FY19
Type of Scheme	Income	
Return (%)	4.3%	7.9%
Peer Average (%)	4.3%	7.8%
Benchmark (%)	2.4%	3.7%
Relative Ranking	10 out of 17	10 out of 20
Fund Size (Rs. in m)	9,967	9,471
Retail (%)	44%	71%
Associates (%)	26%	1%
Number of Investors	5,372	8,207
Top 10 Investors / AUMs	33%	31%
Fund Stability Rating	A(f)	A(f)
WATM	2.08 years	2.18 years
Modified Duration (at end-June)	0.13 years	0.10 years
Asset Allocation (at end-June)		
<i>Corporate Sukuk</i>	26%	38%
<i>Government backed / issued Securities</i>	13%	6%
<i>Commercial Paper</i>	-	14%
<i>Placements with Banks</i>	11%	-
<i>Certificate of Musharka</i>	9%	8%
<i>Cash & Others Inc. Rec.</i>	41%	34%



Launched in Jan 2007, 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-November 2019, assets under management of the fund have witnessed a sizeable jump and were reported at Rs. 20.8b (FY19: Rs. 9.5b; FY18: Rs. 9.9b).

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

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

Asset Allocation

Exposure in corporate Sukuk has witnessed a noticeable increase on a timeline basis. At end-June'2019, the fund

parked 38% of its net assets in corporate Sukuk, 14% in commercial paper, 6% in government backed securities, 8% in Musharka agreements while 31% is held as cash.

Table 2: Asset Allocation

Assets	Jun'18	Jun'19
Corporate Sukuk	26%	38%
Govt. guaranteed securities	13%	6%
Placements with Banks and DFIs	11%	-
Commercial Paper	-	14%
Certificate of Musharka	9%	8%
Cash	39%	31%
Others Rec	2%	3%
Total	100%	100%

Credit Risk

As per the updated investment policy guidelines, MIIF is required to limit its exposure to minimum 'A' rated securities. The fund remains compliant with aforesaid criteria throughout the year.

Table 3: Credit Quality Summary- FY19

Credit Quality	Average	Maximum	Minimum
AAA	7%	12%	3%
AA+	12%	18%	10%
AA	26%	33%	22%
AA-	16%	34%	6%
A+	10%	18%	6%
A	25%	38%	2%

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 March'2019 at 74 days.

Liquidity Profile

MIIF has remained compliant with maintaining 25% of net assets as cash and cash equivalents in order to meet the necessary liquidity levels. Retail share of total fund base has increased sizably from 44% in FY18 to 71% in FY19 whereas share of associates has diminished to around 1%. Top 10 investors concentration was reported at 31% (FY18: 33%) in FY19. Furthermore, number of investors rose to 8,207 (FY18: 5,372) at end-June'2019.

Fund Performance**Table 4: Fund performance**

	FY18	FY19
Return (%)	4.3%	7.9%
Benchmark (%)	2.4%	3.7%
Peer Average	4.3%	7.8%
Relative Ranking	10/17	10/20

During the period under review, fund returns have noticeably outperformed the benchmark rates while the same remained at par as compared to peer average 

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/30/2019	A(f)	Reaffirmed
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

FINANCIAL SUMMARY		<i>(Amounts in PKR millions)</i>	
<u>BALANCE SHEET</u>		FY18	FY19
Paid Up Capital		NA	NA
Total Equity		NA	NA
<u>INCOME STATEMENT</u>			
Total income		959.8	618.1
Profit Before Tax		804.5	458.7
Profit After Tax		804.5	458.7
<u>RATIO ANALYSIS</u>			
Net Cash Generated from Operating Activities		(851.8)	726.3
Current Ratio (x)		NA	NA
Gearing (x)		NA	NA