

Date: January 13, 2021

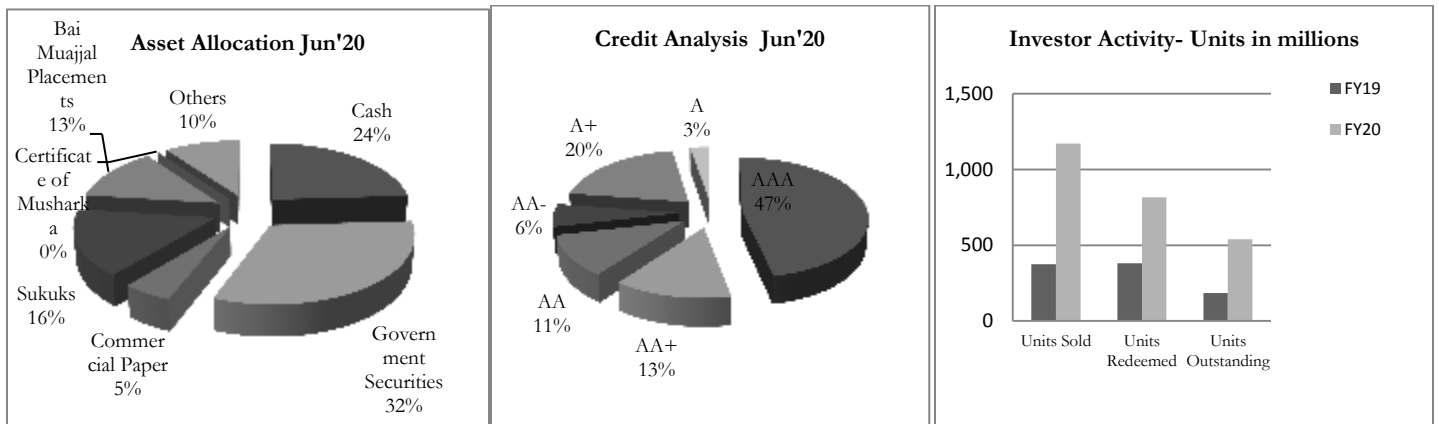
Analysts: Aرسال Ayub, CFA
Syeda Aaminah Asim

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>Jan 7, 2021</i>	A(f) <i>Dec 30, 2019</i>
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	A.F. Ferguson and Co. Chartered Accountants	
Fund Managers	Faizan Saleem, 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	Up to 6.5% of Gross Earnings (min 0.25% of average annual net assets max. 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	FY19	FY20
Type of Scheme	Income	
Return (%)	7.9%	11.6%
Peer Average (%)	7.8%	10.75%
Benchmark (%)	3.7%	6.3%
Relative Ranking	10 out of 20	7 out of 21
Fund Size (Rs. in m)	9,466	27,776
Retail (%)	71%	59%
Associates (%)	1%	4%
Number of Investors	8,207	16,900
Top 10 Investors / AUMs	31%	30%
Fund Stability Rating	A(f)	A+(f)
WATM	2.18 years	3.99 years
Modified Duration (at end-June)	0.10 years	0.19 years
Asset Allocation (at end-June)		
<i>Corporate Sukuk</i>	38%	16%
<i>Government backed / issued Securities</i>	6%	32%
<i>Commercial Paper</i>	14%	5%
<i>Bai Muajjal Placements</i>	-	13%
<i>Certificate of Musharaka</i>	8%	-
<i>Cash & Others Inc. Rec.</i>	34%	34%



Launched in Jan 2007, Meezan Islamic Income Fund (MIIF) is a Shariah compliant open end fund which aims to provide its investors with comparable returns by investing in a diversified pool of debt instruments, bank deposits and other approved investment avenues subject to the necessary condition of capital preservation.

As at end-November 2020, assets under management of the fund witnessed an increase and were reported at Rs. 36.1b (FY20: Rs. 27.8b; FY19: Rs. 9.5b).

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 Government Guaranteed Securities has witnessed a noticeable increase on a timeline basis. At end-

June'2019, the fund parked 29% of its net assets in corporate Sukuk/Bai Muajjal Placements, 5% in commercial paper, 32% in government backed securities while 24% is held as cash.

Table 2: Asset Allocation

Assets	Jun'19	Jun'20
Corporate Sukuk	38%	16%
Govt. guaranteed securities	6%	32%
Bai Muajjal Placements	-	13%
Commercial Paper	14%	5%
Certificate of Musharka	8%	-
Cash	31%	24%
Others Rec	3%	10%
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. On a monthly average basis, the fund managed to park 26% of its assets in AA rated issue/ issuer.

Table 3: Credit Quality Summary- FY20

Credit Quality	Average	Maximum	Minimum
AAA	17%	47%	0.7%
AA+	10%	15%	5.3%
AA	26%	46%	9.5%
AA-	4%	9%	1.0%
A+	22%	46%	4.3%
A	17%	51%	2.0%

Market Risk

With major investments in government securities and sizeable cash placements, modified duration remained within the limit of 365 days as per the assigned rating. Highest duration was recorded in May'2020 at 73 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 decreased sizably from 71% in FY19 to 59% in FY20 whereas share of associates has increased to 4%. Top 10 investors concentration was reported at 30% (FY19: 31%) in FY20. Furthermore, number of investors rose to 16,900 (FY19: 8,207) at end-June'2020.

Fund Performance**Table 4: Fund performance**

	FY19	FY20
Return (%)	7.9%	11.6%
Benchmark (%)	3.7%	6.3%
Peer Average	7.8%	10.75%
Relative Ranking	10/20	7/21

During the period under review, fund returns have noticeably outperformed the benchmark rates, at end-June'20 the fund posted an annualized return of 11.6% against its benchmark of 6.3%. Relative to its peers, the fund's ranking improved from 10th to 7th out of a total of 21 funds in the category.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	07/01/2021	A+(f)	Upgrade
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>		FY19	FY20	
Paid Up Capital		NA	NA	
Total Equity		NA	NA	
<u>INCOME STATEMENT</u>				
Total income		960.0	2,657.8	
Profit Before Tax		804.5	2,272.3	
Profit After Tax		804.5	2,272.3	
<u>RATIO ANALYSIS</u>				
Net Cash Generated from Operating Activities		(851.8)	(11,763.9)	
Current Ratio (x)		NA	NA	
Gearing (x)		NA	NA	