

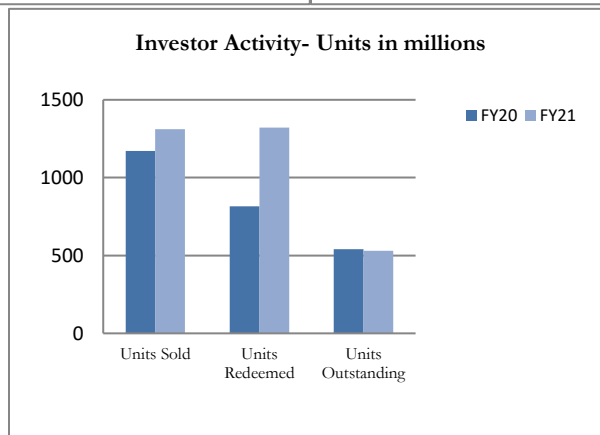
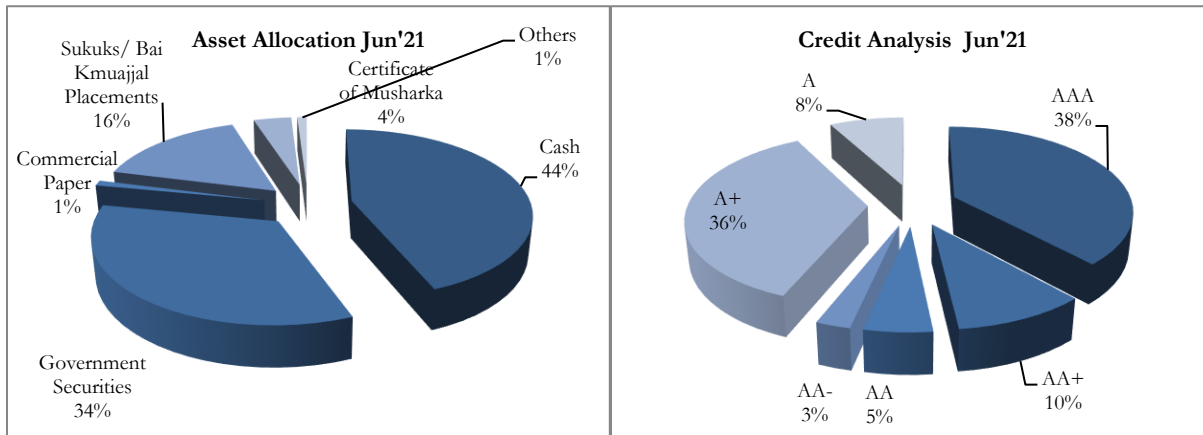
Date: December 27, 2021

Analysts: Asfia Aziz

**Investment Objective**

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	Λ+(f)	Λ+(f)
	Dec 27,2021	Jan 12, 2021
AMC	Al-Meezan AMC	
External Auditors – Fund	A.F. Ferguson & Co. Chartered Accountants	
Trustee	CDC	
Front-end Load	1%	
Back-end Load	Contingent load for Type C investors	
Management Fee	Up to 10% of Gross Earnings (min 0.25% of average net assets, max 1.5%of average 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.	



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-October'21, assets under management (net Fund of Funds) of the fund witnessed an increase and were reported at Rs. 30.7b (FY21: Rs. 26.8b; FY20: Rs. 26.7b).

Investment Committee (IC) comprises key personnel from top management along with representatives from investment and risk management department.

**Offering document (extract)**

Description	Min rating	Min- Max Limits
Shariah Compliant GOP Ijara Securities	NA	0%-75%
Cash at Bank (excluding TDRs) with licensed Islamic Banks or Islamic Branches/Windows of Conventional Banks, Shariah Compliant Government Securities including GoP Ijarah Sukuk not exceeding 90 days maturity.	A-	25%-100%
Shariah compliant non-traded securities with maturity not exceeding six (6) months, including but not limited to Bank deposits with licensed Islamic banks and/or Islamic branches/windows of Conventional banks	A-	0%-75%
Shariah compliant non-traded securities with maturity not exceeding six (6) months, including but not limited to placement of funds with Islamic Microfinance Bank, NBFC and Modarabas.	A-	0%-25%

Spread Transactions as approved by the Shariah Advisors	NA	0%-40%
Secured and/or unsecured, listed and/or privately placed Shariah Compliant debt securities/Commercial Papers/ Sukuks issued by Corporate entities and/or Financial Institutions.	A-	0%-75%
Shariah Complaint Secured and/or Unsecured, listed and/or privately placed debt securities issued by Government or governmental agencies/bodies	NA	0%-75%
Shariah compliant non-traded securities with maturity exceeding six (6) months, including but not limited to Bank deposits with licensed Islamic banks and/or Islamic branches/windows of Conventional Banks and placement of funds with Islamic Financial Institutions	A-	0%-15%
Authorized Shariah Compliant Investments outside Pakistan including Islamic Income mutual funds shall be subject to prior approvals and guidelines (if any) of the SECP, SBP and Shariah Advisor	-	0%-As allowed by SECP
Any other Shariah Compliant instruments/securities that may be permitted or approved by the SECP and Shariah Advisor of the Scheme from time to time	-	0%-75%

**Asset Allocation:**
**Asset Class Distribution:**

Asset Allocation (% of Total Assets)	Average FY20	Average FY21	Jun'21
Cash	52.2%	41.6%	44.00%
Government Securities	5.5%	29.0%	34%
Commercial Paper	1.7%	3.1%	1.00%
Sukuks/ Bai Muajjal Placements	12.8%	15.4%	16%
Certificate of Musharka	0.6%	3.7%	4%
Others	27.3%	7.3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

During FY21, on an average basis, the fund's asset allocation was in compliance with the standards specified in the offering document. The fund's major holding at end June'20 was engrossed in cash at 24%, which increased to 44% by end-June'21. On average, cash placements accounted for 42% of total assets.

**Credit Quality:**
**Credit Quality**

Credit Quality	Average	Maximum	Minimum
<b>AAA</b>	50%	62%	38.0%
<b>AA+</b>	8%	11%	4.4%
<b>AA</b>	10%	23%	4.0%
<b>AA-</b>	8%	10%	2.6%
<b>A+</b>	15%	36%	8.7%
<b>A</b>	6%	9%	2.2%
<b>Others</b>	3%	8%	0.6%

In order to cater to its mandate, the fund is required to invest in instruments that have a minimum credit quality rating of 'A-' or higher. The fund complied with the requirements of the offering document during the outgoing year. Ratings incorporate internal investment guidelines to not invest in less than A rated exposures.

The fund has also complied with the stipulations of the assigned ratings by not investing in instruments rated below 'A' rating. Non-compliant investments included Arzoo

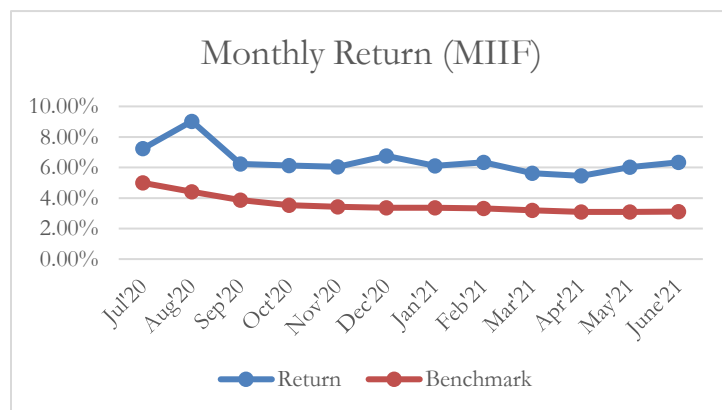
Textile Mills Limited, Eden Housing Ltd, Security Leasing Corporation, Hascol Petroleum and Shakarganj Food Products Limited. The defaulted investments have been completely provided for at end-Oct'21. The quantum of non-compliant ratings remain small. Any increase in the same over time will impact the assigned ratings, going forward.

**Market Risk:**

With major investments in government securities and sizeable cash placements, modified duration remained within the limit of 270 days as per the assigned rating. Highest duration was recorded in June'2021 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 improved to 62% (FY20: 59%) in FY21 whereas share of associates has remained at 3%. Top 10 investors concentration was reported at 19% (FY20: 17%) in FY21. Furthermore, number of investors rose to 24,290 (FY20: 22,841) at end-June'2021. Given the fund's asset allocation plan, ability to meet redemptions is considered adequate.

**Fund Performance:**

**Fund Performance:**

Performance	FY20	FY21	Oct'21 YTD
Total Return	11.57%	6.64%	7.83%
Quartile	Q2	Q1	Q3

Peer Ranking	7/21	6/22	14/23
Benchmark Return	6.33%	3.56%	3.14%
Peer Average	10.75%	5.99%	8.92%

During the period under review, fund returns have noticeably outperformed the benchmark rates, at end-June'21 the fund posted an annualized return of 6.64% against its benchmark of 3.56%. Relative to its peers, the fund's ranking improved from 7<sup>th</sup> to 6<sup>th</sup> out of a total of 21 and 22 funds, respectively in the category, however performance of the fund has deteriorated in the ongoing year relative to the peers. Maintenance of performance metrics will be important for ratings.

**Rating History**

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/27/2021	A+(f)	Reaffirmed
Fund Stability	01/12/2021	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

<b>BALANCE SHEET</b>	FY20	FY21
Paid Up Capital	NA	NA
Total Equity	27,776.4	27,246.2
<b><u>INCOME STATEMENT</u></b>		
Total Income	2,657.8	2,754.9
Profit Before Tax	2,272.3	2,234.6
Profit After Tax	2,272.3	2,234.6
<b><u>RATIO ANALYSIS</u></b>		
Current Ratio (x)	NA	NA
Gearing (x)	NA	NA