

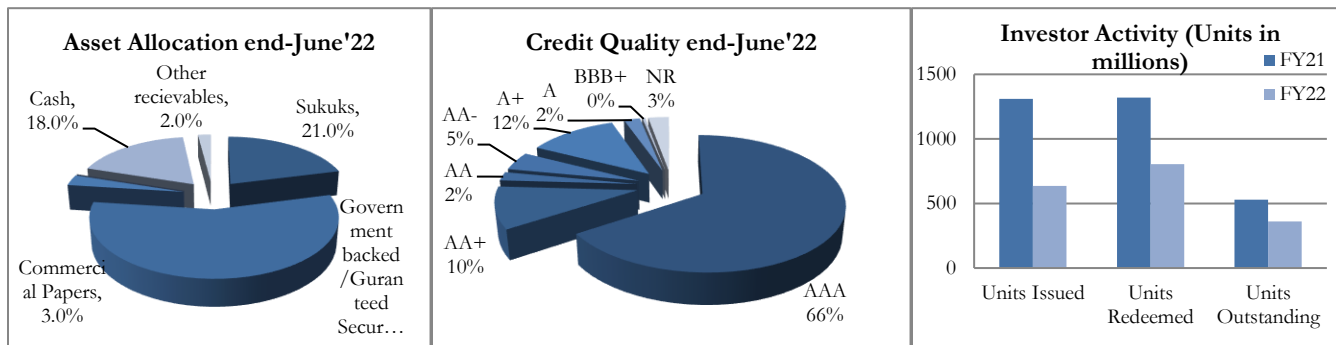
Date: January 03, 2023

Analyst: Musaddeq Ahmed Khan

**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)
	Jan 03,2023	Dec 27,2021
AMC	Al-Meezan AMC	
External Auditors – Fund	E.Y. Ford Rhodes, 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 Oct'22, Assets under Management (AUMs) of the fund witnessed a decrease and were reported at Rs. 17.8b (Jun22: 18.4b; Jun' 21: Rs. 26.8b).

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	-	0%-As allowed by SECP

prior approvals and guidelines (if any) of the SECP, SBP and Shariah Advisor		
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 FY21	Average FY22	Jun'22
Cash	41.6%	28.5%	18.0%
Government Securities	29.0%	47.5%	56.0%
Commercial Paper	3.1%	3.8%	3.0%
Sukuks/ Bai Muajjal Placements	15.4%	15.7%	21.0%
Certificate of Musharka	3.7%	-	-
Placement with NBFC & Modarabas	-	2.4%	0.0%
Others	7.3%	2.2	2.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

During FY22, the fund's asset allocation was not in compliance with the standards specified in the Offering Document (OD). The fund fails for comply in keeping at minimum 25% of AUMs in Cash as of Jun'22. The fund's major holding as of Jun'22 was engrossed in Government Securities. Furthermore, average exposure has shifted from Cash to Government Securities with the highest allocation of the fund's resources during FY22.

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

Credit Quality	Average	Maximum	Minimum
<b>AAA</b>	54.3%	66.3%	40.9%
<b>AA+</b>	9.1%	11.0%	7.7%
<b>AA</b>	2.5%	3.8%	0.3%
<b>AA-</b>	5.7%	12.2%	2.4%
<b>A+</b>	23.7%	37.3%	9.8%

<b>A</b>	2.3%	2.8%	1.7%
<b>BBB+</b>	0.3%	0.4%	0.2%
<b>Others</b>	2.1%	3.8%	1.2%

Peer Average	5.99%	8.91%	12.73%
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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 did not comply with the requirements of the OD during the outgoing year.

The fund has also fails to comply with the stipulations of the assigned ratings by investing in instruments rated below 'A' rating.

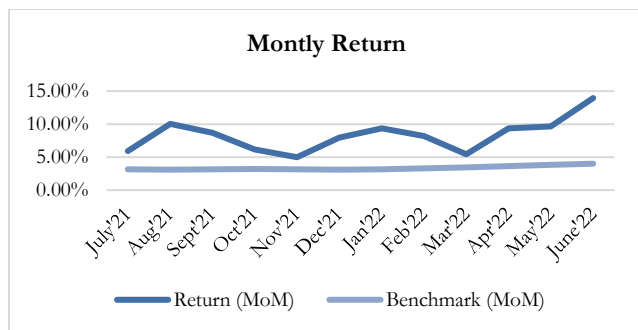
### Market Risk:

With major investments in government securities and cash placements, modified duration remained within the limit of 270 days as per the assigned rating.

### Liquidity Profile:

Retail share of total fund base has improved to 80.1% (Jun'21: 78.0%) as of Jun'22 whereas share of associates has reduced to nil. Top 10 investor's concentration was reported at 20.7% (Jun'21: 18.9%) as of Jun'22. Furthermore, number of investors rose to 28,815 (Jun'21: 24,290) as at Jun'22. Given the fund's asset allocation plan, ability to meet redemptions is considered adequate.

### Fund Performance:



### Fund Performance:

Performance	FY21	FY22	Oct'22 YTD
Total Return	6.64%	8.63%	12.42%
Quartile	Q1	Q1	Q3
Peer Ranking	6/22	6/21	19/28
Benchmark Return	3.56%	3.34%	4.90%

During the period FY22, fund returns have noticeably outperformed the benchmark rates. As of Jun'22, the fund annualized return was lower than peer average. Relative to its peers, the fund's ranking remain the same, respectively in the category. However performance of the fund has deteriorated in the ongoing year relative to the peers, ranking down to third quartile as of Oct'22. Maintenance of performance metrics will be important for ratings.

<u>BALANCE SHEET</u>	FY21	FY22
Paid Up Capital	NA	NA
Total Equity	27,246.2	18,609.4
<u>INCOME STATEMENT</u>		
Total Income	2,754.9	2,385.2
Profit Before Tax	2,234.6	2,147.6
Profit After Tax	2,234.6	2,147.6
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	NA	NA
Gearing (x)	NA	NA

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix I**

**VIS** Credit Rating Company Limited

**RATING SCALE & DEFINITIONS: FUND STABILITY RATING SCALE**

**AAA(f)**

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

**AA+(f), AA(f), AA-(f)**

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

**A+(f), A(f), A-(f)**

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

**BBB+(f), BBB(f), BBB-(f)**

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

**BB+(f), BB(f), BB-(f)**

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

**B(f)**

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

REGULATORY DISCLOSURES		Appendix I		
<b>Name of Rated Fund</b>	Meezan Islamic Income Fund			
<b>Sector</b>	Mutual Funds			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Fund Stability Rating (FSR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Outlook</b>	<b>Rating Action</b>
	01/03/2023	A+(f)		Reaffirmed
	12/27/2021	A+(f)		Reaffirmed
	01/12/2021	A+(f)		Upgrade
	12/30/2019	A(f)		Reaffirmed
	12/28/2018	A(f)		Reaffirmed
	12/29/2017	A(f)		Upgrade
	12/30/2016	A-(f)		Reaffirmed
	1/12/2016	A-(f)		Reaffirmed
	10/29/2014	A-(f)		Reaffirmed
	8/15/2013	A-(f)		Reaffirmed
	3/16/2012	A-(f)		Downgrade
12/14/2010	A(f)		Downgrade	
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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