

Meezan Islamic Income Fund (MIIF)

Managed By: Al-Meezan Investment Management Limited

Fund Stability Rating

Latest Rating

A+(f)

27-Dec-23

What is Fund Stability Rating

Fund Stability Rating (FSR) is a measure used to assess the stability and risk associated with a mutual fund or investment portfolio. The stability rating combines a comprehensive quantitative evaluation of the fund's portfolio with a qualitative assessment of fund management. This rating offers investors an impartial gauge of the primary areas of risk that income funds may face, including credit risk, liquidity risk, and interest rate risk.

Fund Information

Auditor	EY Ford Rhodes, Chartered Accountants
Trustee	Central Depository Company of Pakistan Limited
Front-end Load	1.00%
Back-end Load	Contingent load for Type C investors
Benchmark	6 Months average deposit rates of 3 A-rated Islamic Banks
MQR Rating	AM1 (VIS)
Mgt. Fee	Up to 10% of Gross Earnings (min 0.25% of avg. annual net assets max. 1.5% of avg. annual net assets)

Fund Overview

Meezan Islamic Income Fund (the Fund) is an open-end income fund constituted under a Trust Deed entered into on January 15, 2007, between Al-Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Investment Objective

The objective of the scheme 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.

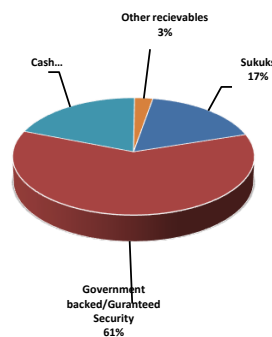
Offering Document (Extract)

Description	Minimum 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 Compliant 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 the 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%

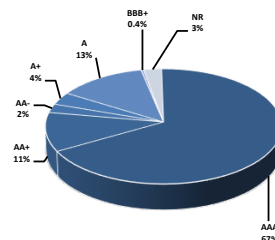
Net Assets

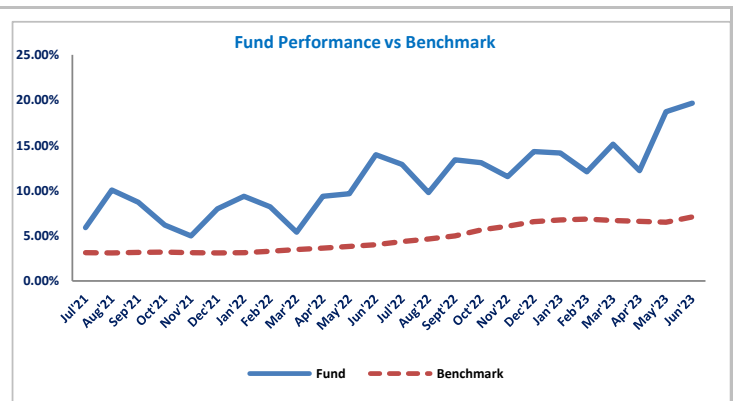
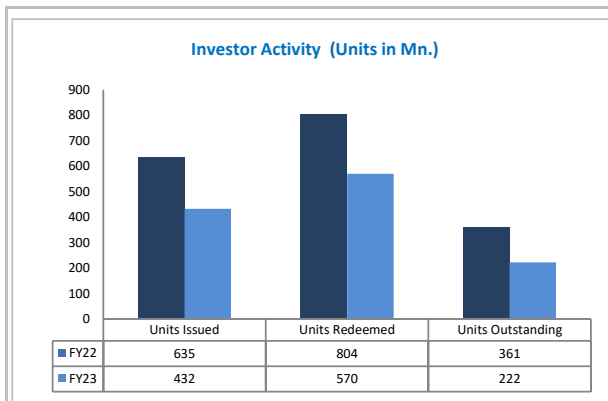
	Jun'21	Jun'22	Jun'23
Net Assets (In PKR Millions)	26,872	18,381	11,474

Asset Allocation - Jun'23



Credit Quality - Jun'23





Credit Quality (FY'23)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'22 Avg.	FY'23 Avg.
Government Securities	0.00%	0.00%	0.00%	Sukuks	15.67%	18.02%
AAA	56.62%	67.04%	48.68%	Government backed/Guranteed	47.50%	52.05%
AA+	9.91%	10.93%	9.18%	Commercial Papers	3.75%	0.00%
AA	1.86%	4.20%	0.00%	Placement with NBFC & Modarabas	2.42%	0.00%
AA-	4.03%	15.40%	1.70%	Cash	28.50%	26.65%
A+	4.40%	8.70%	2.70%	Other recievables	2.17%	3.28%
A	19.59%	27.97%	5.00%			
A-	0.00%	0.00%	0.00%			
BBB+	0.32%	0.37%	0.30%			
BBB	0.00%	0.00%	0.00%			
BBB-	0.00%	0.00%	0.00%			
NR	3.28%	5.70%	1.35%			

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	1.27	4.64	0.77	Total Return	8.63%	14.86%
Duration (In Days)	465	1694	281	Benchmark Return	3.34%	6.06%
				Peer Average	8.91%	15.75%
				Peer Ranking	3/11	18/23

Fund Stability Analysis

The Meezan Islamic Income Fund has been assigned a Fund Stability Rating of A+(f). This rating indicates a moderate degree of stability in the Net Asset Value (NAV) of the fund, with risk factors that may vary with possible changes in the economy.

Asset Allocation:

The fund size has plunged to Rs. 11.5b as of June'23 (June'22: Rs. 18.4b). The fund failed to comply as per stipulation outlined in Offering Document of minimum cash exposure of 25% during Feb'23, Mar'23, Apr'23, May'23 and Jun'23; however, the same remains compliant on monthly average basis. The majority of the fund's assets are invested in Shariah-compliant government-backed securities, sukuk and cash, representing 52.1%, 18.0% and 26.7% of the portfolio respectively in FY23.

Credit Quality:

To comply with its mandate, the fund must invest in instruments rated 'A-' or higher, albeit it failed to comply with requirement by investing 0.3% (monthly average) of the AUMs in BBB+ securities during the period under review. The fund predominantly allocates a significant portion of its investments (56.6%) into instruments carrying AAA ratings during FY23. During the period under review, the fund has adjusted its portfolio by augmenting its allocation to A rated instruments while reducing its exposure to A+ rated securities.

Market and Liquidity Risk:

The modified duration of the fund remained within the specified limit. As of June'23, the retail share of the total fund base has risen to 88.0% (June'22: 80.1%). This improvement is further reflected in the concentration of the top 10 investors, which decreased to 19.6% as of June'23 (June'22: 20.7%). Moreover, the investor base has augmented significantly, reaching 68.9K as of June 2023 (June'22: 28.8K).

Fund Performance:

The fund registered a total return of 14.9% as of June'23, outpacing the benchmark return of 6.1%, although it slightly lags behind the peer average of 15.8%. In the context of relative positioning within the peer group, the fund currently positioned in the fourth quartile.

Financial Snapshot

	FY22	FY23
BALANCE SHEET		
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
INCOME STATEMENT		
Total Income	2,385.2	2,511.7
Profit Before Tax	2,147.6	2,290.0
Profit After Tax	2,147.6	2,290.0
RATIO ANALYSIS		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A
FFO	N/A	N/A

Regulatory Disclosures			
Name of Rated Fund	Meezan Islamic Income Fund	Sector	Mutual Funds
Type of Relationship	Solicited	Purpose of Rating	Fund Stability Rating (FSR)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	27-Dec-23	A+(f)	Reaffirmed
Fund Stability	3-Jan-23	A+(f)	Reaffirmed
Fund Stability	27-Dec-21	A+(f)	Reaffirmed
Fund Stability	12-Jan-21	A+(f)	Upgrade
Fund Stability	30-Dec-19	A(f)	Reaffirmed
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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

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