

Meezan Islamic Income Fund (MIIF)

Managed By: Al-Meezan Investment Management Limited

Fund Stability Rating

Latest Rating

A+(f)

6-Jan-25

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

Launch Date	January 15, 2007
Fund Type	Open End
Category	Income
Risk Profile	Medium
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.

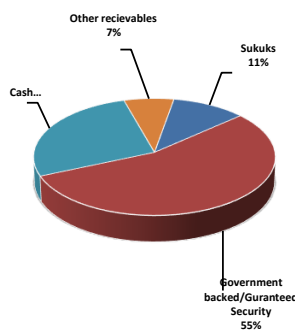
Offering Document (Extract)

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 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 the SECP

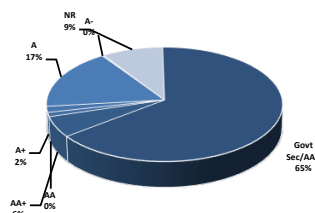
Net Assets

	Jun'22	Jun'23	Jun'24
Net Assets (In PKR' Millions)	18,381	11,474	15,980

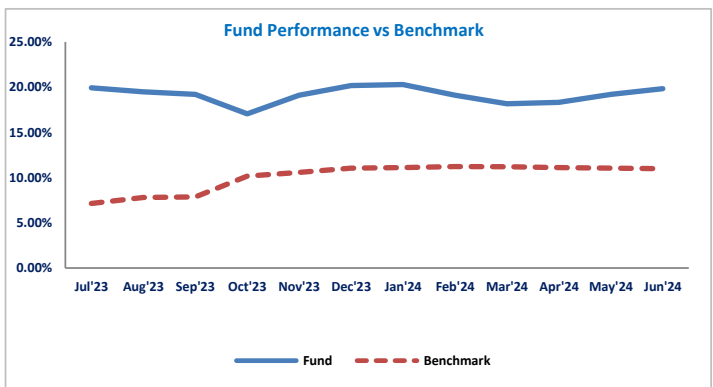
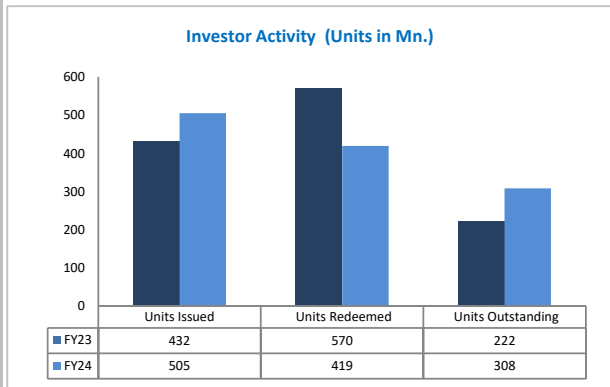
Asset Allocation - Jun'24



Credit Quality - Jun'24



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%



Credit Quality (FY'24)	Average	Maximum	Minimum	Avg. Asset Allocation (% wise)	FY'23 Avg.	FY'24 Avg.
Govt Sec/AAA	62.31%	83.50%	51.30%	Sukuks	14.72%	12.95%
AA+	8.51%	10.50%	5.80%	Government backed/Guranteed	52.90%	53.26%
AA	0.00%	0.01%	0.00%	Commercial Papers	0.00%	0.00%
AA-	1.62%	2.20%	1.20%	Placement with NBFC & Modarabas	0.00%	0.00%
A+	3.19%	10.25%	1.70%	Cash	28.03%	29.46%
A	19.63%	28.10%	0.40%	Other recievables	4.35%	4.32%
A-	0.00%	0.00%	0.00%			
BBB+	0.27%	0.31%	0.20%			
BBB	0.00%	0.00%	0.00%			
BBB-	0.00%	0.00%	0.00%			
NR	4.48%	0.00%	0.00%			
0	0.00%	0.00%	0.00%			

Portfolio Maturity (FY'24)	Average	Maximum	Minimum	Benchmark	Fund Performance	FY'23	FY'24
WAM in year(s)	3.26	4.10	2.61	4.00	Total Return	14.86%	20.94%
Duration (In Days)	141	420	51	1460	Benchmark Return	6.06%	18.95%
					Peer Average	15.75%	21.08%
					Peer Ranking	18/23	17/31

Fund Stability Analysis

Meezan Islamic Income Fund has been assigned 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:

As at Jun'24, the Assets Under Management (AUM) of the Fund stood at Rs. 16.0b (Jun'23: Rs. 11.5b), reflecting an increase of ~39%. During FY24, the Fund's asset allocation strategy adhered to the parameters outlined in the offering document. During this period, Shariah-complaint government-backed securities accounted for ~53% of the Fund's portfolio while cash deposits and Sukuks represented ~29% and ~13% of the Fund's investment respectively.

Credit Quality:

On average, the Fund's investments were primarily concentrated in AAA-rated securities, comprising approximately 62% of its assets, followed by A-rated instruments, which accounted for around 20%. However, the credit quality of the Sukuk portfolio has been impacted with non-performing exposures totaling about Rs. 412 million, for which 70% provisioning has been made. About 0.7% of the assets remained unprovided for against Agha Steel and Shakarganj Foods Sukuk. The Not Rated exposures reflect the accrued profit receivable against investments/placements with a credit rating ranging between A+ to AAA.

Market and Liquidity Risk:

According to the investment policy, the weighted average time to maturity (WAM) must not exceed four years. Except for one specific month where the WAM deviated, it has consistently remained within the prescribed limits.

Liquidity profile of the Fund is considered sound given the quantum of liquid assets comprising ~83% of the Fund's portfolio. The Fund's AUM is dominated by retail investors, accounting for ~91% of the Fund's investments. Additionally, client concentration risk is considered low, given top ten investors constituting ~21% of the AUM as at Jun'24.

Fund Performance:

During FY24, fund performance outperformed the benchmark return of 18.95%, however relative to peers the fund was in the third quartile ranking 17 out of 21.

Financial Snapshot

	FY23	FY24
BALANCE SHEET		
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
INCOME STATEMENT	FY23	FY24
Total Income	2,511.7	2,757.1
Profit Before Tax	2,290.0	2,554.6
Profit After Tax	2,290.0	2,554.6
RATIO ANALYSIS	FY23	FY24
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	6-Jan-25	A+(f)	Reaffirmed
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
Statement by the Rating Team	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.		
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Rating Scale	https://docs.vis.com.pk/docs/VISRatingScales.pdf		

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