

Meezan Cash Fund (MCF)
Managed By: Al-Meezan Investment Management Limited
Fund Stability Rating
Latest Rating
AA+(f)
29-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	Nil
Back-end Load	0.1% if redemption within 3 days
Benchmark	3 Months average deposit rates of 3 AA rated Islamic Banks
MQR Rating	AM1 (VIS)
Mgt. Fee	Upto 0.6% p.a. (min 0.1%)

Fund Overview

Meezan Cash Fund (the Fund) is an open-end money market fund constituted under a Trust Deed entered into on June 15, 2009, between Al-Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Investment Objective

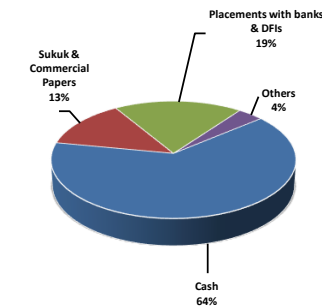
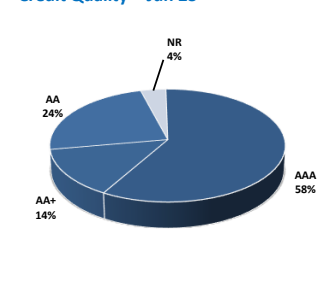
To seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and debt securities.

Offering Document (Extract)

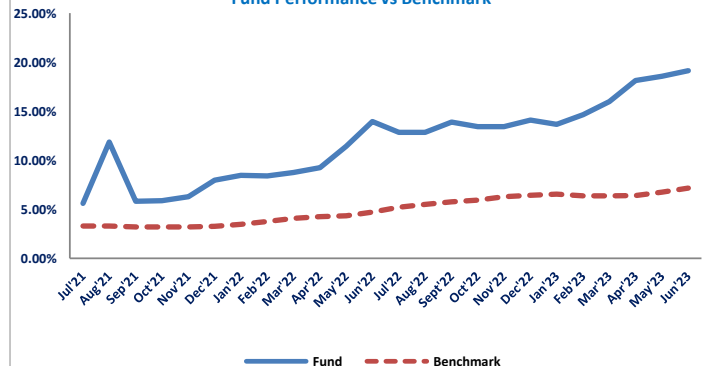
Description	Minimum rating	Min- Max Limits
Secured, unsecured, listed, unlisted and privately placed money market securities including Sukuks and Commercial Paper issued by Federal Government, Provincial Government, Local Government, Government Agencies, Autonomous Bodies, public sector entities and private sector entities.	AA	0%-70%
Bank Deposits in licensed Islamic Banks and licensed Islamic Banking windows of conventional Banks	AA	20%-100%
Any other Shariah compliant structure, instrument or security including but not limited to Certificate of Deposit (CoD), Certificate of Musharaka (CoM), Musharaka, Mudaraba, Ijarah, Murabaha (including commodity Murabaha), Salam, Istisna, etc provided by Federal Government, Provincial Government, Local Government, Government Agencies, Autonomous Bodies, public sector entities, private sector entities, licensed Islamic Banks and licensed Islamic Banking windows of conventional Banks as per the guidelines of the Fund's Shariah Advisor.	AA	0%-50%
Any other Shariah Compliant investment whether local or international which may be authorized by the fund's Shariah Advisors, SECP and SBP	AA	0%-As specified by SECP in the Approval

Net Assets

	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	13,557	13,485	25,882

Asset Allocation - Jun'23

Credit Quality - Jun'23

Investor Activity (Units in Mn.)

	Units Issued	Units Redeemed	Units Outstanding
FY22	713	715	266
FY23	1,376	1,136	507

Fund Performance vs Benchmark


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%	Cash	78.42%	73.21%
AAA	64.80%	86.71%	39.20%	Sukuk & Commercial Papers	7.58%	12.72%
AA+	4.74%	20.70%	0.00%	Placements with banks & DFIs	11.67%	12.13%
AA	28.51%	58.10%	11.65%	Others	2.33%	1.95%
AA-	0.00%	0.00%	0.00%			
A+	0.00%	0.00%	0.00%			
A	0.00%	0.00%	0.00%			
A-	0.00%	0.00%	0.00%			
BBB+	0.00%	0.00%	0.00%			
BBB	0.00%	0.00%	0.00%			
BBB-	0.00%	0.00%	0.00%			
NR	1.95%	3.83%	1.35%			

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	0.05	0.07	0.02	Total Return	9.00%	16.11%
Duration (In Days)	17	25	9	Benchmark Return	3.68%	6.23%
				Peer Average	9.69%	16.78%
				Peer Ranking	14/14	16/17

Fund Stability Analysis

VIS has assigned Fund Stability Rating of AA+(f) to Meezan Cash Fund. Current rating of AA+(f) indicates a high degree of stability in the Net Asset Value (NAV) of the fund, with a modest level of risk that may vary slightly due to changing economic conditions.

Asset Allocation:

As at June'23, net assets increased to Rs. 25.9b (Jun'22: 13.5b). The fund's asset allocation remained in line with the parameters of its offering document. The majority of the fund's assets remained allocated to cash (73.2%), followed by Sukuk & Commercial Papers (12.7%), placements with banks & DFIs (12.1%), and others (2.0%) in FY23 (montly average).

Credit Quality:

The fund invested in instruments with a minimum credit quality rating of 'AA' or higher, meeting the requirements of offering document. During FY23, the fund has increased its exposure in AA rated securities to 28.5% in FY23 from 10.8% in FY22 on monthly basis. In Contrast, average allocation to AAA rated securities has declined to 80.03% in FY23 from 64.80% in FY22. This resulted in breaching of the VIS credit risk criteria for the assigned rating; however, it remained complaint with the defined benchmark during 5M'FY24. Going forward, the fund's compliance with the VIS credit risk benchmark will remain important to maintain rating.

Market and Liquidity Risk:

In FY23, the fund's maximum Weighted Average Maturity (WAM) was reported at 25 days, well below the 180-day limit. As of June '23, the majority of the fund's assets under management (AUM), at 85.5%, are held by retail investors, with the remaining comprises unrelated corporates. The concentration of investors in the fund considered low, with the top 10 investors accounting for 15.0% of the total fund as of June'23 (Jun'22: 10.0%).

Fund Performance:

While the fund has consistently surpassed its benchmark return, it lagged behind the peer average and continued to be placed in the fourth quartile relative to peers during the period under review.

Financial Snapshot			
BALANCE SHEET		FY22	FY23
Paid Up Capital		N/A	N/A
Total Equity		N/A	N/A
INCOME STATEMENT		FY22	FY23
Total Income		1,249.3	3,443.3
Profit Before Tax		1,170.4	3,209.7
Profit After Tax		1,170.4	3,209.7
RATIO ANALYSIS		FY22	FY23
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 Cash 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	29-Dec-23	AA+(f)	Reaffirmed
Fund Stability	3-Jan-23	AA+(f)	Upgrade
Fund Stability	31-Dec-21	AA(f)	Reaffirmed
Fund Stability	12-Jan-21	AA(f)	Reaffirmed
Fund Stability	30-Dec-19	AA(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		

Lead Analyst	Analyst
Amin Hamdani	Syed Ilyas Afridi
amin.hamdani@vis.com.pk	ilyas.afridi@vis.com.pk

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