

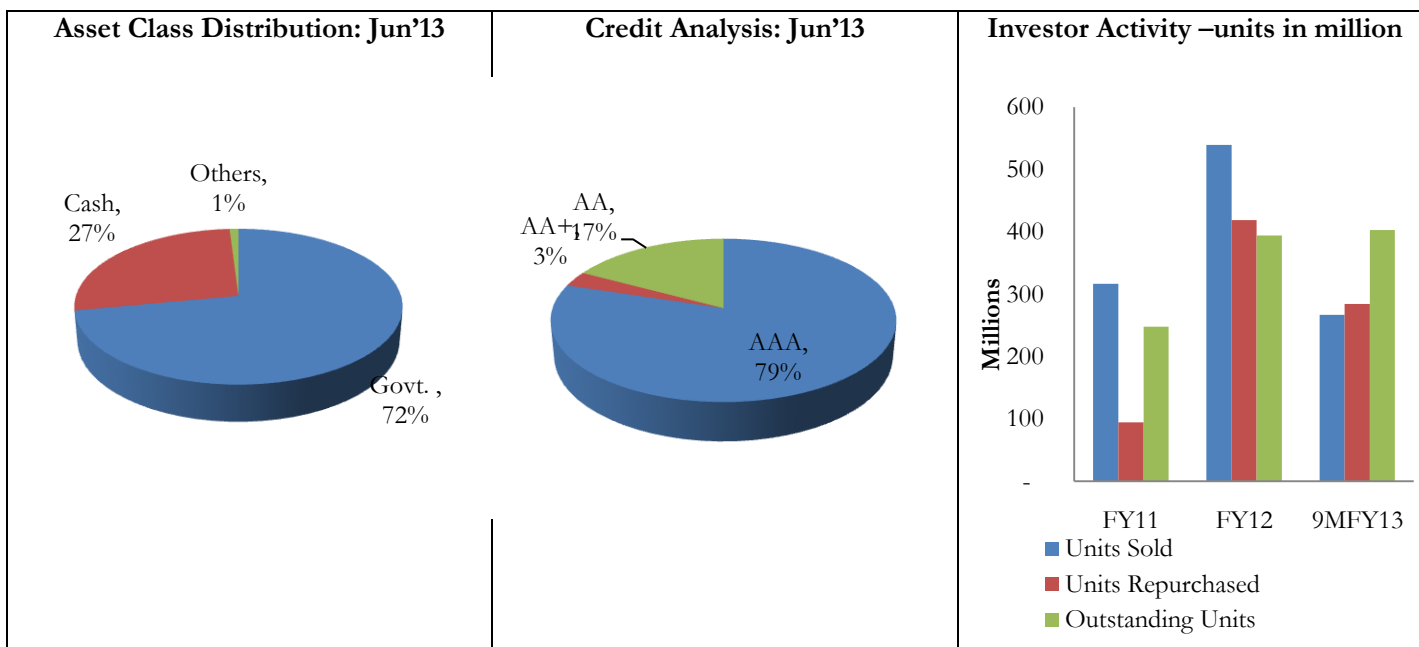
**Date: Sept 03, 2013**

**Analyst:** Sobia Maqbool, CFA  
Waqas Munir, FRM

**Investment Objective**

To seek maximum possible preservation of capital and a reasonable rate of return.

Meezan Sovereign Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f) <i>Aug 29, 2013</i>	AA(f) <i>Mar 29, 2012</i>
Asset Management Company	Al Meezan Investment Management Limited (AMIML)	
Shariah Advisor	Meezan Bank Ltd	
External Auditor - Fund	KPMG Taseer Hadi & Co.	
Chief Executive	Mr. Mohammad Shoaib, CFA	
Fund Manager	Mr. Zain Malik	
Trustee	Central Depository Company	
Front-end Load	0.5%	
Back-end Load	Nil	
Management Fee	1%	
Benchmark	Average return on 6-month Islamic bank deposits	



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Meezan Sovereign Fund (MSF) was launched on February 10, 2010 and is categorized as a Shari'ah-compliant open end income fund. MSF is the largest fund, in terms of net assets, managed by Al Meezan Investment Management Limited. Net assets of the fund have depicted low volatility. At end-June 13, net assets of the fund stood at Rs. 19.65b (FY12: Rs. 19.71b).

The investment policy allows the fund to invest in the following avenues, with pre-defined exposure limits:

- At least 70% of net assets of the fund have to remain invested in Shari'ah compliant profit bearing government securities.
- Remaining exposure will be maintained in AA or above rated banks, except for those funds which are temporarily parked in AA- or below rated banks for collection and redemption.
- At least 25% of net assets have to be allocated to cash and bank balances and government securities with residual maturity of 90 days or less.
- Weighted average time to maturity of the fund is capped at 4 years.

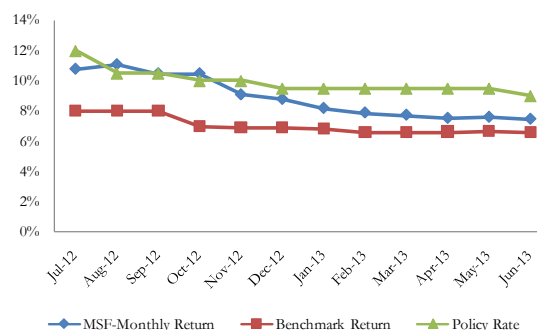
Credit risk of MSF is considered low given that the fund has been structured as a government securities fund. Cash and bank balances with 'AA' rated banks can go up to 30% of net assets. During FY13, average investment in GoP Ijarah Sukuk represented around 72% of net assets. Remaining net assets were deployed in cash and bank balances with at least 'AA' rated banks. Credit risk profile of the fund has been maintained in line with investment policy.

Duration of the fund is targeted at less than 90 days; actual duration of the fund's assets was recorded at 62 days at end-May 2013. Weighted average time to maturity of the fund stood at 1.03 years at end-June, 13 (end-June, 12: 1.5 years). Exposure to interest rate risk is expected to

remain moderate as return on GoP Ijarah Sukuk is pegged to market benchmark rates. Apart from this, the fund's assets are mostly parked with banks.

Investor concentration in MSF has improved on a timeline basis. Top ten investors had an aggregate holding of around 53% of outstanding units of the fund at end-Dec, 12 and comprised institutional clients. Proportion of retail investors in the fund was higher at around 31% at end-Jun'12 (FY11: 22%).

Performance of the fund on a monthly basis is plotted in the following graph:



Benchmark of the fund is average rate on six month deposits offered by Islamic banks. While benchmark is in line with the Securities & Exchange Commission of Pakistan's (SECP) guidelines, it is not commensurate with the asset allocation of the fund that also comprises higher yielding GOP Ijarah Sukuk. In view of this, MSF has consistently out-performed its benchmark since inception.

In comparison with peers, the fund has posted superior performance. During FY13, fund performance outperformed benchmark and peer group average return.

MSF	FY11	FY12	FY13
<b>Return</b>	11.45%	11.19%	9.11%
<b>Peer Group Average</b>	10%	11%	9%
<b>Benchmark</b>	8.24%	8.13%	6.91%

GoP Ijarah Sukuk carried in all the collective schemes under management are not marked to market. The management has attributed this to non-availability of recent price data for GoP Ijarah Sukuk on account of lack of trades in the secondary markets. In view of this, volatility in NAV of the fund may be understated and the NAV may not reflect true market value of underlying assets. The matter of pricing of GoP Ijarah Sukuk is being considered at industry level; it may have some impact on reported NAVs

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability</u></b>				
29-Aug-13	AA(f)			Reaffirmed
29-Mar-12	AA(f)			Harmonised
04-May-10	AA+(f)			Final
02-Feb-10	AA+(f)			Preliminary