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**Investment Objective**

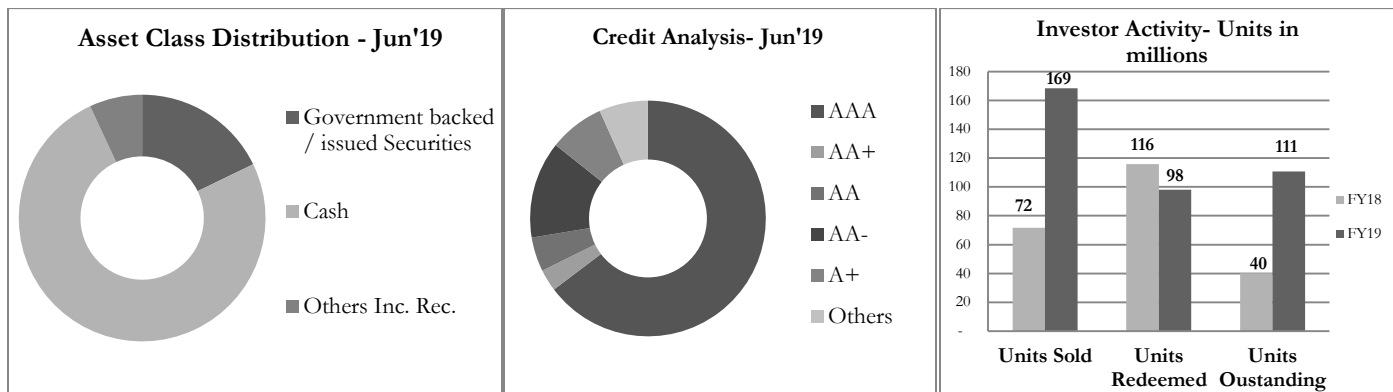
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To seek maximum possible preservation of capital and a reasonable rate of return

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<b>Meezan Sovereign Fund</b>		
<b>Rating Category</b>	<b>Latest</b>	<b>Previous</b>
Fund Stability Rating	<b>AA- (f)</b>	<b>AA- (f)</b>
	<i>Dec 30, 2019</i>	<i>Dec 28, 2018</i>
Asset Management Company	Al Meezan Investment Management Limited	
Shariah Advisor	Meezan Bank Ltd	
External Auditor - Fund	A.F. Ferguson and Co. Chartered Accountants	
Fund Manager	Faizan Saleem, CFA Level II, MBA	
Trustee	Central Depository Company Ltd.	
Front-end Load	0.5%	
Back-end Load	Nil	
Management Fee	1%	
Benchmark	6-months PKISRV rates	

<b>MSF</b>	<b>FY18</b>	<b>FY19</b>
Type of Scheme	Income	
Return (%)	2.6%	7.0%
Peer Average (%)	4.3%	6.8%
Benchmark (%)	5.0%	7.2%
Relative Ranking	2 out of 2	1 out of 2
Fund Size (in Rs. m)	2,074	5,705
Retail (%)	70%	82%
Associates (%)	0%	0%
Number of Investors	3,977	4,500
Top 10 Investors / AUMs	21%	47%
Fund Stability Rating	AA- (f)	AA- (f)
Management fee	1.00%	0.6%
WATM	0.44 years	1.83 years
Modified Duration (at end-June)	0.44 years	0.00 years
<b>Asset Allocation (at end-June)</b>		
<i>Government backed / issued Securities</i>	68%	18%
<i>Cash &amp; Others Inc. Rec.</i>	32%	83%



Launched in Feb 2010, Meezan Sovereign Fund (MSF) is an open ended Shariah compliant sovereign fund designed to offer competitive returns to investors through deploying resources primarily in government backed Shariah compliant debt securities.

As at end-November 2019, MSF's net assets have increased to Rs. 3.8b (FY19: Rs. 5.7b; FY18: Rs. 2.1b). The growth is attributable to high interest rate regime along with investors' shift in preference towards less risky capital protected funds due to consecutive two years of negative returns posted by equity investments.

**Table 1: Offering document (extract)**

Description	Min. Rating	Min- Max Limits	
Shariah compliant fixed income Government securities (including sukuks)	N/A	70%-100%	
Cash in bank accounts of Islamic banks & Islamic windows of conventional banks. Government securities with <90 days maturity	A+	25%	10%
	AA		30%
Shariah compliant spread transactions in government securities	N/A	0%-40%	
Bank deposits in licensed Islamic banks & Islamic windows of conventional banks	AA	0%-15%	
Any other Shariah compliant government security	N/A	0%-15%	

Subject to SECP and other regulatory approval, investment in Shariah compliant debt and money market securities	N/A	0%-30% (<\$15m)
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Investment Committee (IC) comprises Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head of Research, Head of Fixed Income, Head of Risk Management and fund managers. Decision making is done on consensus basis.

**Asset Allocation**

**Table 2: Asset Allocation**

Asset Allocation	Jun'18	Jun'19	Average
Government backed / issued Securities	68%	18%	51%
Cash and other receivables	32%	83%	50%

As per the offering document, MSF is required to maintain a minimum 70% of net assets in government backed/issued securities at all times. However, barring few months, fund's asset allocation has largely remained non-compliant with aforesaid stipulation during FY19.

**Credit Quality**

The fund has complied with maximum exposure of 10% in A+ rated investment along with no exposure in investments rated two notches below the fund's rating.

**Table 3: Credit Quality Summary- FY19**

Credit Quality	Average	Maximum	Minimum
AAA	58%	78%	18%
AA+	6%	30%	1%
AA	0%	5%	0%
AA-	28%	75%	12%
A+	4%	8%	0%


### Market Risk

**Table 4: Modified Duration**

Month	Modified Duration (Days)
July'18	149
Aug'18	137
Sept'18	73
Oct'18	44
Nov'18	21
Dec'18	34
Jan'19	28
Feb'19	20
Mar'19	11
Apr'19	30
May'19	13
Jun'19	0

Maximum duration during FY19 was reported at 149 days in July'18 which is below the limit of 180 days as per policy and criteria for an AA- rated fund.

### Liquidity Profile

AUM profile of the fund has improved in terms of investor concentration with top 10 investors accounting for 47% (FY18: 21%) of total net assets at year end-FY19. Moreover, retail proportion of total fund base has also increased to 82% (FY18: 70%) on the back of significant increase in number of retail investors due to higher returns posted by the fund. Performance ranking of the fund vis-à-vis peers has also improved 

## Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/30/2019	AA- (f)	Reaffirmed
Fund Stability	12/28/2018	AA- (f)	Reaffirmed
Fund Stability	12/29/2017	AA-	Downgrade
Fund Stability	12/30/2016	AA(f)	Reaffirmed
Fund Stability	1/12/2016	AA(f)	Reaffirmed
Fund Stability	10/28/2014	AA(f)	Reaffirmed
Fund Stability	8/29/2013	AA(f)	Reaffirmed
Fund Stability	3/29/2012	AA(f)	Harmonized
Fund Stability	5/4/2010	AA+(f)	Final
Fund Stability	2/2/2010	AA+(f)	Preliminary

FINANCIAL SUMMARY		<i>(Amounts in PKR millions)</i>	
<b><u>BALANCE SHEET</u></b>		<b>FY18</b>	<b>FY19</b>
Paid Up Capital		NA	NA
Total Equity		NA	NA
<b><u>INCOME STATEMENT</u></b>			
Total income		160.0	102.3
Profit Before Tax		128.8	59.4
Profit After Tax		128.8	59.4
<b><u>RATIO ANALYSIS</u></b>			
Net Cash Generated from Operating Activities		480.8	2,192.4
Current Ratio (x)		NA	NA
Gearing (x)		NA	NA