

Date: January 13, 2021

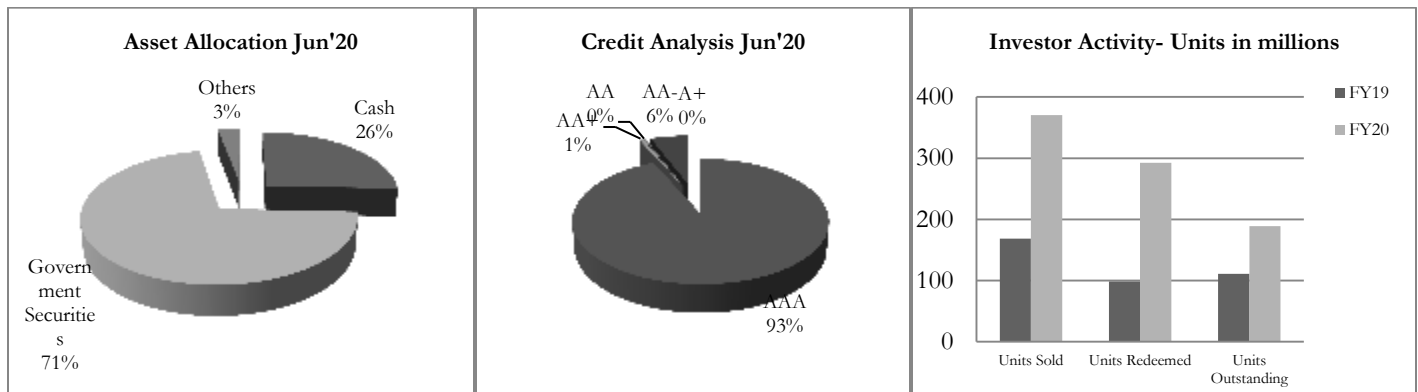
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Investment Objective

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)	AA- (f)
	<i>Jan 7, 2021</i>	<i>Dec 30, 2109</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, MBA	
Trustee	Central Depository Company Ltd.	
Front-end Load	0.5%	
Back-end Load	Nil	
Management Fee	Up to 0.6% p.a. (min 0.25%)	
Benchmark	6-months PKISRV rates	

MSF	FY19	FY20
Type of Scheme	Income	
Return (%)	7.0%	11.2%
Peer Average (%)	6.8%	10.75%
Benchmark (%)	7.2%	7.9%
Relative Ranking	1 out of 2	10 out of 21
Fund Size (in Rs. m)	5,705	9,736
Retail (%)	82%	73%
Associates (%)	0%	0%
Number of Investors	4,500	5,506
Top 10 Investors / AUMs	47%	31%
Fund Stability Rating	AA- (f)	AA (f)
Management fee	0.6%	Up to 0.6% p.a. (min 0.25%)
WATM	1.83 years	7.00 years
Modified Duration (at end-June)	0.00 years	0.34 years
Asset Allocation (at end-June)		
<i>Government backed / issued Securities</i>	18%	72%
<i>Cash & Others Inc. Rec.</i>	83%	29%



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 2020, MSF's net assets have increased to Rs. 8.7b (FY20: Rs. 9.7b; FY19: Rs. 5.7b).

Table 1: Offering document (extract)

Description	Min. Rating	Min- Max Limits	
Shariah compliant fixed income Government securities (including sukus)	N/A	70%-100%	
Cash in bank accounts of Islamic banks & Islamic windows of conventional banks. Government securities with <90 days maturity	A+	10%	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%-25%	
Shariah Compliant non-traded securities with maturity exceeding six (6) months.	AA-	0%-15%	
Authorized Shariah compliant investment outside Pakistan	N/A	0% - As allowed by SECP	

Subject to SECP and other regulatory approval, investment in Shariah compliant debt and money market securities	N/A	0% - As allowed by SECP
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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'19	Jun'20	Average
Government backed / issued Securities	18%	72%	34%
Cash and other receivables	83%	29%	33%

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 FY20.

Credit Quality

During FY20 on a monthly average basis the fund managed to park 79% of its assets in AAA rated issue/issuer complying with the credit quality requisites for the assigned ratings.

Table 3: Credit Quality Summary- FY20

Credit Quality	Average	Maximum	Minimum
AAA	79%	95%	64%
AA+	1%	3%	0.3%
AA	4%	13%	0%
AA-	8%	24%	0%
A+	3%	8%	0%

Market Risk

Table 4: Modified Duration

Month	Modified Duration (Days)
July'19	5
Aug'19	0
Sept'19	47
Oct'19	50
Nov'19	50
Dec'19	43
Jan'20	38
Feb'20	31
Mar'20	43
Apr'20	36
May'20	88
Jun'20	61

Maximum duration during FY20 was reported at 88 days in May'20 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 declined in terms of investor concentration with top 10 investors accounting for 31% (FY19: 47%) of total net assets at year end-FY20. Moreover, retail proportion of total fund base has also decreased to 73% (FY19: 82%) on the back of decrease in the number of retail investors. However, Performance ranking of the fund vis-à-vis peers has improved.

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	07/01/2021	AA (f)	Upgrade
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>	
<u>BALANCE SHEET</u>		FY19	FY20
Paid Up Capital		NA	NA
Total Equity		NA	NA
<u>INCOME STATEMENT</u>			
Total income		160.0	559.1
Profit Before Tax		128.8	483.9
Profit After Tax		128.8	483.9
<u>RATIO ANALYSIS</u>			
Net Cash Generated from Operating Activities		480.9	(5,553.2)
Current Ratio (x)		NA	NA
Gearing (x)		NA	NA