

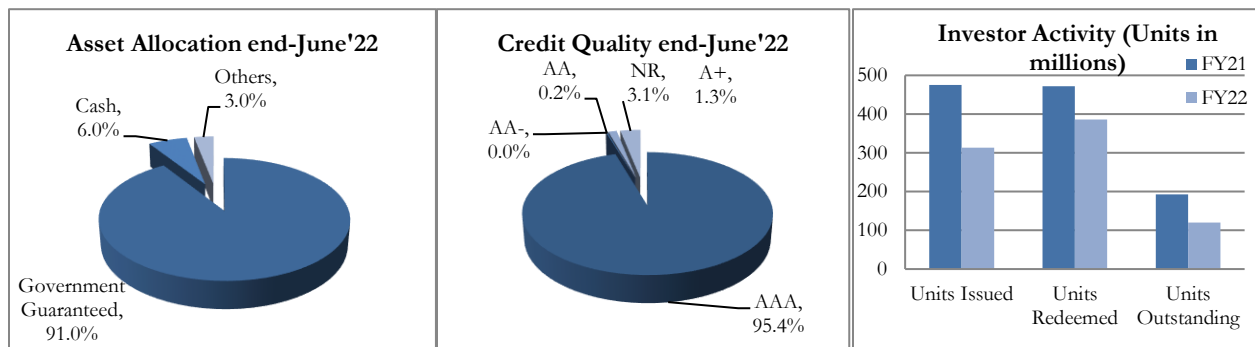
Date: January 03, 2023

Analyst: Musaddeq Ahmed Khan

**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)
	Jan 03, 2023	Dec 27, 2021
AMC	Al-Meezan AMC	
External Auditors – Fund	E.Y. Ford Rhodes, Chartered Accountants	
Trustee	CDC	
Front-end Load	1%	
Back-end Load	Nil	
Management Fee	Upto 0.6% per annum (minimum 0.25%)	
Benchmark	6 Months PKISRV Rate	



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 Oct'22, MSF's Asset under Management (AUMs) have decreased to Rs. 5.6b (Jun'22: 6.2b; Jun'21: Rs. 9.9b).

Investment Committee (IC) comprises key personnel from top management along with representatives from investment and risk management department.

**Offering document (extract)**

Description	Min. Rating	Min- Max Limits
Shariah compliant fixed income Government	N/A	*70%-100%

securities (including sukuks)		
Cash in bank accounts of Islamic banks & Islamic windows of conventional banks. Government securities with <90 days maturity	A+ AA-	**10% **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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**Asset Allocation:**

**Asset Class Distribution:**

Asset Allocation (% of Total Assets)	Average FY21	Average FY22	Jun'22
Cash	17.2%	14.2%	6.0%
Government Securities	79.1%	82.9%	91.0%
Others	3.7%	2.9%	3.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

As per the Offering Document (OD), MSF is required to maintain a minimum 70% of net assets in government backed/issued securities at all times. On the average monthly basis, the fund’s asset allocation remains compliant at all times with aforesaid stipulation during FY22. Cash holdings were maintained on average above the minimum requirement of 10% as per the offering document.

**Credit Quality:**

**Credit Quality**

Credit Quality	Average	Maximum	Minimum
AAA	91.8%	96.2%	88.2%
AA	0.1%	0.2%	0.0%
AA-	0.4%	3.7%	0.0%
A+	4.9%	9.7%	0.2%
Others	2.9%	4.2%	1.2%

As per VIS benchmarks, the fund has largely remained compliant with minimum exposure of 25% in AAA rated investments in the outgoing year. Moreover, in accordance with the OD guidelines, the fund has complied by restricting exposures in the bands ‘A+’ or above. However, this does breach the VIS rating benchmark of maintaining investments in AA- or above bands for the assigned level of ratings.

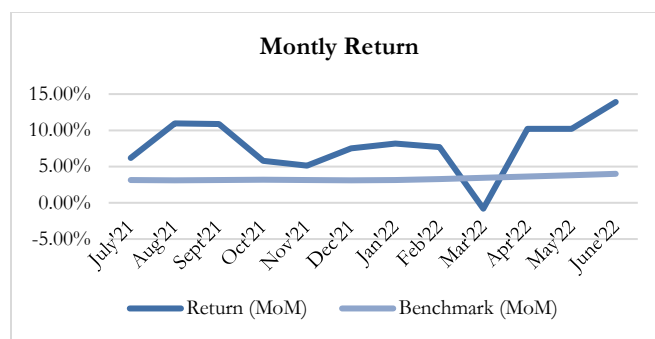
**Market Risk:**

Average duration of the fund for FY22 was reported at 108 days being above the limit of 90 days as per the assigned ratings. However, the fund complied with its investment policy whereby weighted average duration of the portfolio (excluding GoP securities) should not exceed six months.

**Liquidity Profile:**

During the period under review, investor base grew considerably and was reported at 10,894 (Jun’21: 8,805) investors at end-Jun’22. Unrelated corporates held 20.7% (Jun’21: 25.7%) of the fund’s total asset base while retail investors constituted 71.1% (Jun’21: 64.3%) as of Jun’22. The fund concentration decreased with top 10 investors representing 26.6% (Jun’21: 31.1%) of total AUMs as at Jun’22.

**Fund Performance:**



**Fund Performance:**

Performance	FY21	FY22	Ocr'22 YTD
Total Return	7.65%	8.27%	11.88%
Quartile	Q1	Q4	Q4
Peer Ranking	1/22	19/21	22/28
Benchmark Return	3.71%	3.34%	4.90%
Peer Average	5.99%	8.91%	12.73%

During the period under review, fund returns have noticeably outperformed the benchmark rates. Relative to its peers, the fund returns was lower than peer average as of Jun’22 hence losing its position from Quartile 1 to Quartile 4.

<u>BALANCE SHEET</u>	FY21	FY22
Paid Up Capital	NA	NA
Total Equity	9,939.2	6,196.0
<u>INCOME STATEMENT</u>		
Total Income	793.6	764.5
Profit Before Tax	669.8	703.5
Profit After Tax	669.8	703.5
<u>RATIO ANALYSIS</u>		
Current Ratio (x)	NA	NA
Gearing (x)	NA	NA

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix I**

**VIS** Credit Rating Company Limited

**RATING SCALE & DEFINITIONS: FUND STABILITY RATING SCALE**

**AAA(f)**

Highest degree of stability in NAV. Risk is negligible with very low sensitivity to changing economic conditions

**AA+(f), AA(f), AA-(f)**

High degree of stability in NAV. Risk is modest but may vary slightly from time to time because of changing economics conditions

**A+(f), A(f), A-(f)**

Moderate degree of stability in NAV. Risk factors may vary with possible changes in the economy

**BBB+(f), BBB(f), BBB-(f)**

Adequate degree of stability in NAV. Risk factors are considered variable if changes occur in the economy

**BB+(f), BB(f), BB-(f)**

Low degree of stability in NAV. Risk factors are sensitive to changes in the economy

**B(f)**

Very low degree of stability in NAV. Risk factors are capable of fluctuating widely if changes occur in the economy

The FSR scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

FSRs may be placed under 'Rating-Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate re-evaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating-Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating-Watch' may result in a rating change, while the rating continues to be placed under 'Rating-Watch'.

REGULATORY DISCLOSURES		Appendix I		
<b>Name of Rated Fund</b>	Meezan Sovereign Fund			
<b>Sector</b>	Mutual Funds			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Fund Stability Rating (FSR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Outlook</b>	<b>Rating Action</b>
	01/03/2023	AA (f)		Reaffirmed
	12/27/2021	AA (f)		Reaffirmed
	01/12/2021	AA (f)		Upgrade
	12/30/2019	AA- (f)		Reaffirmed
	12/28/2018	AA- (f)		Reaffirmed
	12/29/2017	AA-		Downgrade
	12/30/2016	AA(f)		Reaffirmed
	1/12/2016	AA(f)		Reaffirmed
	10/28/2014	AA(f)		Reaffirmed
	8/29/2013	AA(f)		Reaffirmed
	3/29/2012	AA(f)		Harmonized
	5/4/2010	AA+(f)		Final
	2/2/2010	AA+(f)		Preliminary
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	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.			
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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