

**Meezan Sovereign Fund (MSF)**

*Managed By: Al-Meezan Investment Management Limited*

**Fund Stability Rating**

**Latest Rating**

**AA(f)**

**27-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**

<b>Auditor</b>	EY Ford Rhodes, Chartered Accountants
<b>Trustee</b>	Central Depository Company of Pakistan Limited
<b>Front-end Load</b>	1.00%
<b>Back-end Load</b>	Nil
<b>Benchmark</b>	6 Months PKISRV Rate
<b>MQR Rating</b>	AM1 (VIS)
<b>Mgt. Fee</b>	Up to 0.6% p.a. (min 0.25)

**Fund Overview**

Meezan Sovereign Fund (the Fund) is an open-end income fund constituted under a Trust Deed entered into on Feb 10, 2010, between Al-Meezan Investment Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

**Investment Objective**

The objective of the scheme is to seek maximum possible preservation of capital and a reasonable rate of return.

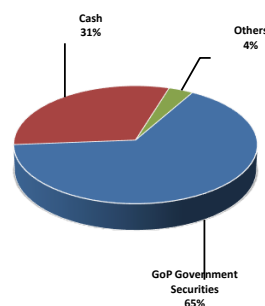
**Offering Document (Extract)**

Description	Minimum rating	Min- Max Limits
Shariah compliant fixed income Government Securities (including Sukuks) issued or guaranteed by GoP.	N/A	70%-100%
Cash in Bank Accounts of Islamic Banks and licensed Islamic Banking windows of conventional Banks (Excluding TDR) plus Government Securities having maturity not exceeding 90 days.	A+/AA-	10%/10-30%
Shariah Compliance Spread transactions in Government Securities	NA	0%-40%
Shariah Compliant non-traded securities with maturity not exceeding six (6) months, including but not limited to Bank Deposits with licensed Islamic Banks and/or licensed Islamic Banking windows of conventional Banks and placement of funds with Islamic Financial Institutions.	AA-	0%-25%
Shariah Compliant non-traded securities with maturity exceeding six (6) months, including but not limited to Bank Deposits with licensed Islamic Banks and/or licensed Islamic Banking windows of conventional Banks and placement of funds with Islamic Financial Institutions.	AA-	0%-15%
Authorized Shariah compliant investment outside Pakistan including Islamic Sovereign mutual funds shall be subject to prior approval and guidelines (if any) of the SECP, SBP and Shariah advisor.	N/A	0%-As allowed by SECP
Any other Shariah Compliant instruments/securities that may be permitted or approved by the SECP and Shariah Advisor of the Scheme from time to time	-	0%-As allowed by SECP

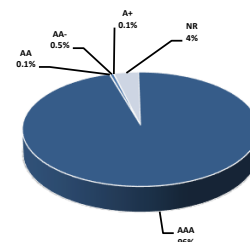
**Net Assets**

	Jun'21	Jun'22	Jun'23
Net Assets (In PKR' Millions)	9,939	6,196	8,133

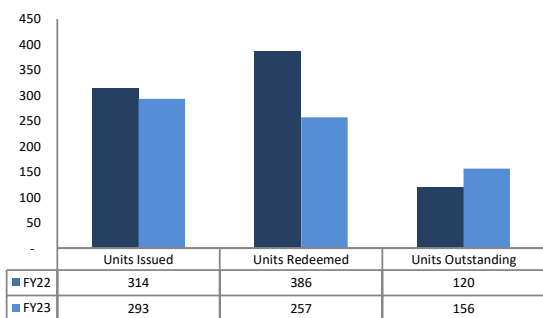
**Asset Allocation - Jun'23**



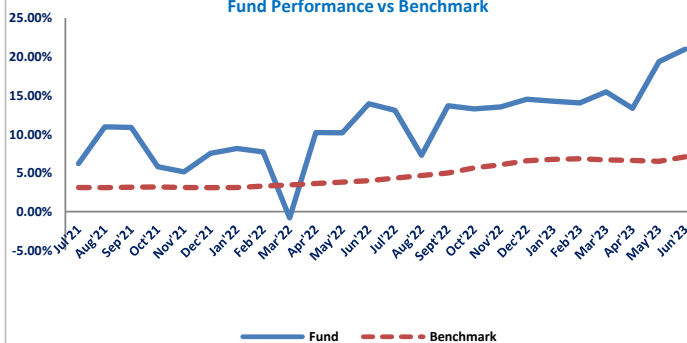
**Credit Quality - Jun'23**



**Investor Activity (Units in Mn.)**



**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%	GoP Government Securities	82.92%	78.83%
AAA	91.76%	95.70%	85.15%	Cash	14.17%	17.73%
AA+	0.09%	0.40%	0.00%	Others	2.92%	3.44%
AA	0.43%	3.47%	0.00%			
AA-	3.32%	8.70%	0.00%			
A+	0.95%	5.80%	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	3.45%	5.50%	1.00%			

Portfolio Maturity (FY'23)	Average	Maximum	Minimum	Fund Performance	FY'22	FY'23
WAM in year(s)	5.72	7.00	5.00	Total Return	8.27%	15.37%
Duration (In Days)	2087	2555	1825	Benchmark Return	3.34%	6.06%
				Peer Average	8.91%	15.75%
				Peer Ranking	19/21	16/23

**Fund Stability Analysis**

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

**Asset Allocation:**

The Assets Under Management (AUM) of the fund declined to Rs. 6.6b (Jun'22: Rs. 8.6b) as at Jun'23. In accordance with the provisions outlined in the Offering Document (OD), MSF is mandated to uphold a minimum allocation of 70% of its net assets in government-backed or issued securities. The fund fell short of meeting this requirement in Dec'22, Jan'23, Feb'23, Mar'23, and Jun'23. Moreover, the fund also failed to satisfy the minimum cash allocation threshold of 10% in Oct'22. Nonetheless, both of these breaches are in compliance with the stipulated thresholds when assessed on a monthly average basis for FY23. The fund's asset allocation consists of 78.8% in Government Securities, 17.7% in cash, and 3.4% in other assets, which aligns with the minimum and maximum limits set for each asset class.

**Credit Quality:**

In terms of credit quality, the fund's portfolio demonstrates a strong credit risk profile. The majority of the holdings, 91.8%, are in assets with a credit rating of AAA during FY23. The minimum credit rating for the portfolio is A+, which falls comfortably above the limit stipulated as per MSF's Investment Policy. This indicates that the fund maintains a high-quality credit portfolio, minimizing the credit risk associated with its investments.

**Market and Liquidity Risk:**

During FY23, the Fund adhered to its investment policy, wherein it reported an average duration of 91 days, complying with the stipulated limit. Retail investors continue to hold a substantial majority of the fund's total assets, comprising 76.9% as of June 2023. Furthermore, the fund's risk concentration considered moderate, with the top 10 investors collectively representing 28.7% of the total AUMs as of June 2023.

**Fund Performance:**

During the period under review, fund returns have noticeably outperformed the benchmark rates. Nevertheless, the fund, contrary to the outlined benchmark of 6-month PKISRV rate in the Fund Manager Report, has adopted the Islamic banking savings deposit rate as its benchmark. Commencing from Sept'23, the benchmark rates has been revised. Relative to its peers, the fund returns was lower than peer average as of Jun'23, hence position in the third quartile relative to peers.

Financial Snapshot			
<b>BALANCE SHEET</b>		<b>FY22</b>	<b>FY23</b>
Paid Up Capital		N/A	N/A
Total Equity		N/A	N/A
<b>INCOME STATEMENT</b>		<b>FY22</b>	<b>FY23</b>
Total Income		764.5	1,030.9
Profit Before Tax		703.5	954.9
Profit After Tax		703.5	954.9
<b>RATIO ANALYSIS</b>		<b>FY22</b>	<b>FY23</b>
Current Ratio (x)		N/A	N/A
Gearing (x)		N/A	N/A
FFO		N/A	N/A
Regulatory Disclosures			
<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)
Rating History			
Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	27-Dec-23	AA(f)	Reaffirmed
Fund Stability	3-Jan-23	AA(f)	Reaffirmed
Fund Stability	13-Jan-22	AA(f)	Reaffirmed
Fund Stability	6-Jan-21	AA(f)	Upgrade
Fund Stability	31-Dec-19	AA-(f)	Reaffirmed
<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.		
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Copyright 2023 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.		
<b>Rating Methodology</b>	<a href="https://docs.vis.com.pk/docs/FundstabilityRating.pdf">https://docs.vis.com.pk/docs/FundstabilityRating.pdf</a>		
<b>Rating Scale</b>	<a href="https://docs.vis.com.pk/docs/VISRatingScales.pdf">https://docs.vis.com.pk/docs/VISRatingScales.pdf</a>		

Lead Analyst	Analyst
<b>Amin Hamdani</b>	<b>Syed Ilyas Afridi</b>
<a href="mailto:amin.hamdani@vis.com.pk">amin.hamdani@vis.com.pk</a>	<a href="mailto:ilyas.afridi@vis.com.pk">ilyas.afridi@vis.com.pk</a>

Note: VIS' mutual fund rating is not a recommendation to buy, sell, or hold any fund, in as much as it does not comment as to suitability for a particular investor.