

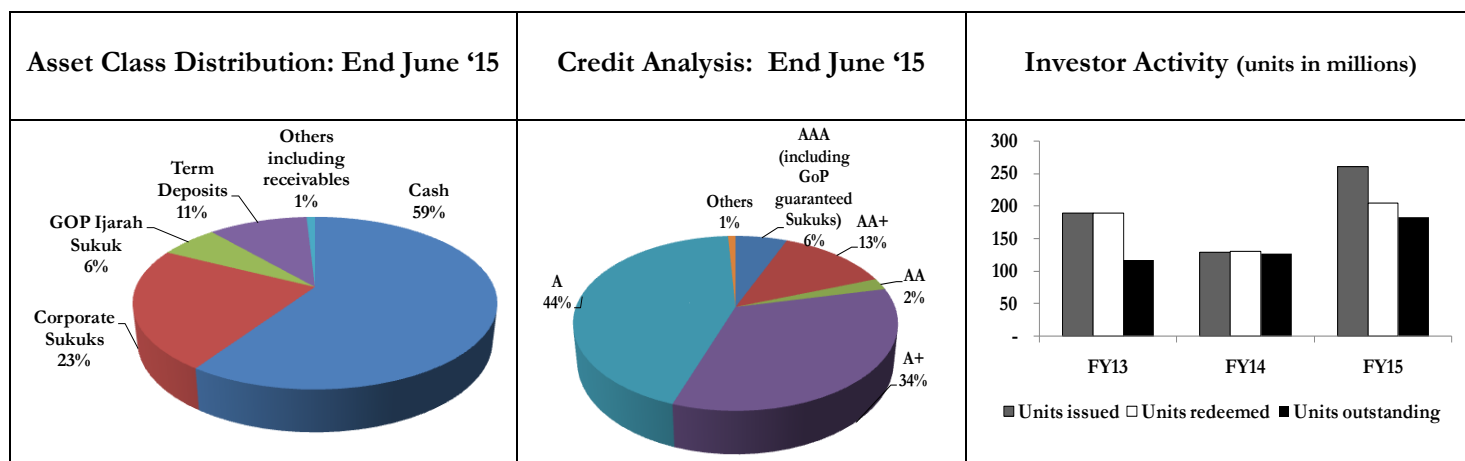
January 4, 2016

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Investment Objective

To provide investors with an opportunity to earn higher income over the medium to long term by investing in a diversified portfolio comprising Shari’ah compliant money market and debt instruments.

ABL Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f) Dec 31, '15	A(f) Oct 16, '14
Management Company	ABL Asset Management Company Limited	
Chief Executive	Mr. Farid Ahmed Khan, CFA	
Fund Manager	Mr. Syed Abid Ali	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	1.5%	
Management Fee	1% p.a.	
Benchmark	Average 6 month deposit rate of 3 Islamic banks	



ABL Islamic Income Fund (ABL-IIF) was launched in 2010 as a Shari’ah compliant investment vehicle. The investment committee (IC), responsible for managing the fund in accordance with the regulations, is composed of five members which includes the CEO, Chief Investment Officer, Head of Research, Senior Fund Manager and Fund Manager. In line with best practices, Head of Risk Management may also be a voting member of the IC.

Within the Shari’ah category, the fund’s exposure limits and minimum rating criteria of the investment avenues were already specified in order to minimize credit risk. There were two changes compared to last year with sukuk issued by government entities and private sector corporate having a sub limit of 0-15% in ‘A-’ credit quality. An additional category of Spread Transaction was also added for FY15, the limit for which was 0-25%.

There was increased activity in the fund in terms of units issuance and redemption as corporation increased exposure to the fund because of its performance. The fund size stood at Rs.1.8b at end-FY15. Net assets exhibited an increasing trend in the year with the only exception of Dec’14 and June’15. The highest net assets figure amounted to approximately Rs. 2.0b at end-May’15. In terms of the asset mix, month-end averages indicate that 50% of the assets were placed in cash and cash equivalents. The same figure stood at 59.5% at end-Jun’15. Corporate Sukuk were the second largest fund deployment avenue as per month-end averages, since 23.5% of the assets were allocated to this avenue. End year figures indicate that 22.8% of the total assets were parked in this avenue. K-Electric and Engro Fertilizer Sukuk constituted significant proportion of the total Sukuk investment. Government securities and Terms

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Deposits formed 15.3% and 8.7% of the total assets on an average basis.

Table 1: Asset allocation summary

	Avg FY15	End June'15	End June'14	Limit
Cash & bank balances	50.3%	59.5%	83.5%	0-50% (A), 0-75% (A+ & above) TL 25%-100%*
Corporate Sukuk	23.5%	22.9%	15.7%	0-50% (A+), 0-15% (A-) TL 50%
GoP Ijarah Sukuk (including govt. guaranteed instruments)	15.3%	6.2%	0.0%	0 -75%
Term Deposits (TDRs)	8.7%	10.5%	0.0%	0 -25% (A+), 0 - 75% (AA- & above)
Others assets	2.2%	0.9%	0.8%	

* Based on monthly average calculated on a daily basis

Investment in a single company namely K-Electric was non-compliant with the regulatory limits at two instances (July and August 2014), during the year. However, in both cases, the limit was breached by less than 1%. This breach was due to reduction in fund size.

Weighted average time to maturity (WAM) of the fund equaled 423 days (FY14: 107 days) at end-FY15 as opposed to the limit of 4 years (1,461 days). This year on year increase may be attributed to increasing exposure in GoP Ijarah Sukuk. The duration limit for the fund was changed to 90 days in September 2014 (previously 180 days). Actual duration of the fund stood at 36 days at end-FY15. There were 3 breaches during the year.

Table 2: Credit Quality Summary FY15

	Average	Maximum	Minimum
AAA (incl. GoP Sukuks)	25.4%	34.0%	6.2%
AA+	1.5%	13.1%	0.2%
AA	8.4%	26.8%	0.1%
A+	26.7%	39.1%	15.6%
A	35.9%	45.2%	21.3%

Table 3: Market Risk summary FY15

	Average	Maximum	Minimum
WAM	313	423	220
Duration	64	138	20

Performance of the fund is benchmarked against average 6 month deposit rate of three Islamic banks rated A+ or higher. In line with the historical trend, the fund continued to surpass the benchmark by posting annualized return of 8.7% as compared to benchmark return of 6.6%. ABL-IIF posted the highest return in the peer group.

Table 4: Performance summary

Performance	FY15	FY14
Total Return	8.7%	8.9%
Benchmark Return	6.6%	6.8%
Peer Group Average	7.1%	8.0%

Concentration of investors remained at the lower end at end-FY15, as top 10 investors held 28.9% (FY14: 31.6%) of the total outstanding units. Total number of investors increased to 1,073 (FY14: 954) during the same period. Contribution of retail clients was 69.4% (FY14: 72.8%). at end-FY15, while the share of unrelated companies increased to 30.1% (FY14: 18.0%)^[JCR-VIS]

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Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Rating Action
Fund Stability	12/31/2015	A(f)		Reaffirmed
Fund Stability	10/16/2014	A(f)		Downgrade
Fund Stability	1/17/2013	A+(f)		Reaffirmed
Fund Stability	1/10/2012	A+(f)		Reaffirmed
Fund Stability	10/27/2011		Rating Watch - Developing	Rating Watch-Developing