

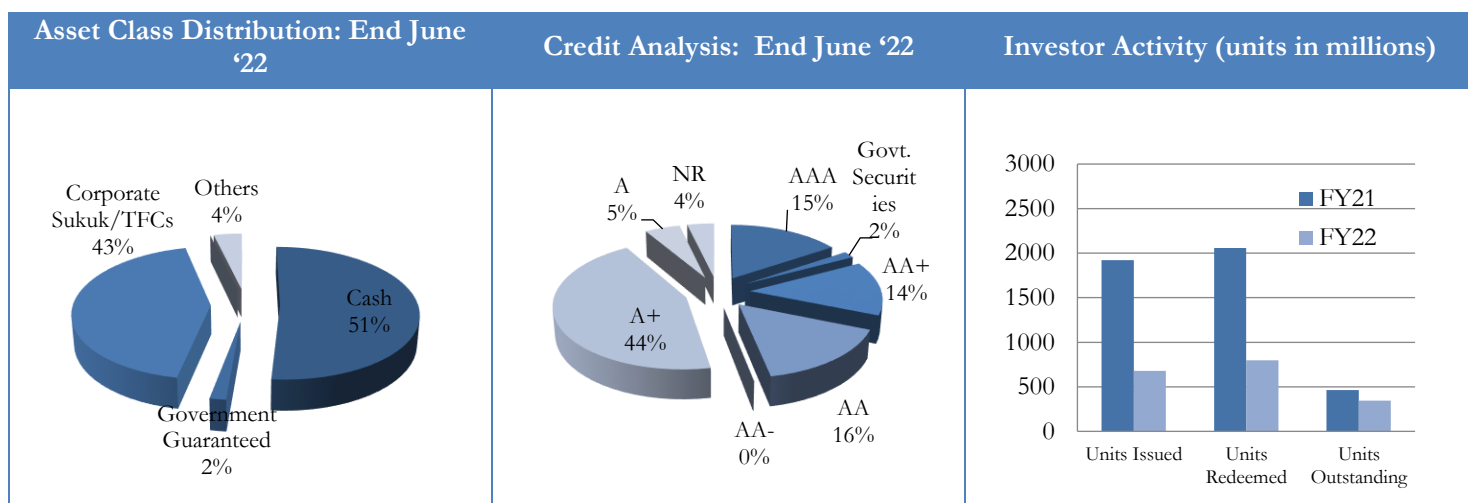
30 December, 2022

Analyst: Syeda Batool Zehra Zaidi

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 30, '22	A+(f) Jan 18, '22
Management Company	ABL Asset Management Company Limited	
Chief Executive	Mr. Alee Khalid Ghaznavi	
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 A Rated Islamic banks	



ABL Islamic Income Fund (ABL-IIF) was launched in 2010 as an open-end Shariah compliant investment scheme. The fund aims to provide its investors with an opportunity to earn higher income through investments in a diversified pool of debt consisting of Shariah compliant instruments.

In order to minimize credit risk and preserve a stable asset mix, exposure limits and minimum rating criteria of the investment avenues have been specified in the Investment Policy Statement (IPS).

On account of higher redemptions during FY21, fund size declined to Rs. 2.2b (FY21: Rs. 4.4b) at end-FY22.

Table 1: Offering Document (extract)

	Entity Rating	Instrument Rating	Min-Max Limits
Shariah Compliant Government Securities;	N/A	N/A	0%-75%
Cash in Bank Accounts	A	N/A	25%-100%
Sukuks issued by Government and corporate Entities	A-	A-	0%-75%
Term Deposit Receipts	A	A	0% -75% (A – Mat. 6 months), 0 - 15% (A – Mat. >6 months)
Shariah compliant money market instruments Islamic Commercial Paper with Commercial banks and DFIs.	A-	A-	0%-75%
Any other Shariah Compliant instrument / securities that may be allowed by the SECP in accordance with the guidelines of Shariah Advisor of the Scheme;	A+	A+	As maybe allowed by the Commission

Asset Allocation:

Table 1: Asset allocation summary

	Average FY21	Average FY22	End-Oct'22
Cash & bank balances	41%	44%	43%
Corporate Sukuk	35%	29%	39%
Bai Muajjal/COM Placements	14%	4%	0%
Placements with DFIs	0%	6%	11%
TDRs/Modarbas	0%	1%	0%
Commercial Paper	4%	12%	0%
Others assets	6%	4%	6%
Total	100%	100%	100%

On average basis, net assets under management were primarily parked in cash placements and Corporate Sukuk holdings at 44% and 29% respectively. The fund's exposure in Sukuks has increased on a timeline basis, end-June'22 total 29% exposure in Sukuk comprises of 14% Sukuk held with HUBCO, 7% with DIB, 5% with EPCL and remaining with MEBL, KEL and FFCL. Other investment portfolio comprises of commercial paper and bank, DFI and Bai Muajjal placements during FY22. Asset class distribution nearly remained about the same end-October'22. The fund majorly complied with the requisites of the offering document, no breaches were witnessed for the assigned rating.

Credit Quality:

Table 2: Credit Quality Summary

	Average	Maximum	Minimum
Government Securities	1%	2%	0%
AAA	20%	53%	0%
AA+	22%	37%	14%
AA	15%	20%	10%
AA-	13%	56%	0%
A+	13%	48%	0%
A	12%	34%	0%
Others	4%	6%	2%

Actual asset allocation mainly complied with the specified requisites of the (IPS) and VIS's criteria, however instances in Jul'21 and Apr'22 show deviations where the fund took more than 25% exposure in the 'A' band.

Market Risk Summary:

The weighted average time to Maturity (WAM) of the fund shall be no longer than 4 years. Maximum and minimum WAM were reported at 527 days and 299 days in Nov'21 and Jun'22 respectively. There was no breach in WAM of the fund.

Liquidity Profile:

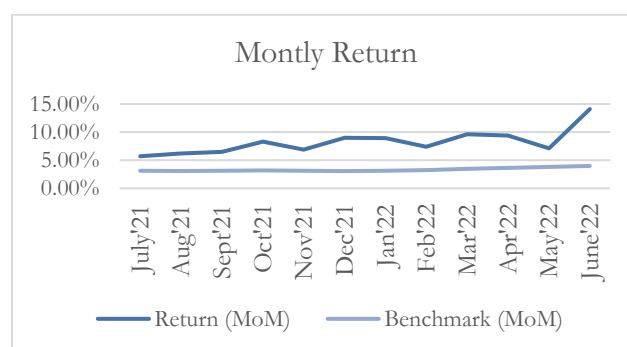
Total number of investors in the fund increased to 2,606 (FY21: 2,333) at end-FY22. Retail investors of the fund increased to 97% (FY21: 39%) during FY22 the remaining 3% were held by corporates. Top-10 investor concentration of the fund increased to 89% (FY21 47%), which depicts pressure on liquidity profile of the fund.

Fund Performance:

Performance of the fund is benchmarked against average 6-month deposit rate of three A rated Islamic banks. Maintaining its historical trend, the fund consistently outperformed its benchmark throughout the year. ABL-IIF generated a return of 8.63% *Based on 365 days* (FY21: 4.64%) surpassing its benchmark of 3.81% (FY21: 3.11%). However, relative ranking of the fund stood at 16th out of a total of 21 funds remaining stagnant from the preceding year where they stood at 15/21, being placed in the third quartile.

Table 4: Performance summary

Performance	FY21	FY22
Total Return	4.64%	8.63%
Benchmark Return	3.11%	3.81%
Relative Ranking	15/21	16/21
Peer Average	6.02%	8.91%



BALANCE SHEET	FY21	FY22
Paid Up Capital	N/A	N/A
Total Equity	N/A	N/A
INCOME STATEMENT		
Total Income	462	454
Profit Before Tax	361	393
Profit After Tax	361	393
RATIO ANALYSIS		
Current Ratio (x)	N/A	N/A
Gearing (x)	N/A	N/A

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

Name of Rated Fund	ABL Islamic Income Fund			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Fund Stability Rating (FSR)			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	12-30-2022	A+(f)		Reaffirmed
	1/18/2022	A+(f)		Reaffirmed
	12/31/2021	A+(f)		Upgrade
	01/20/2020	A(f)		Reaffirmed
	01/20/2019	A(f)		Reaffirmed
Instrument Structure	N/A			
Statement by the Rating Team	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.			
Probability of Default	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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