

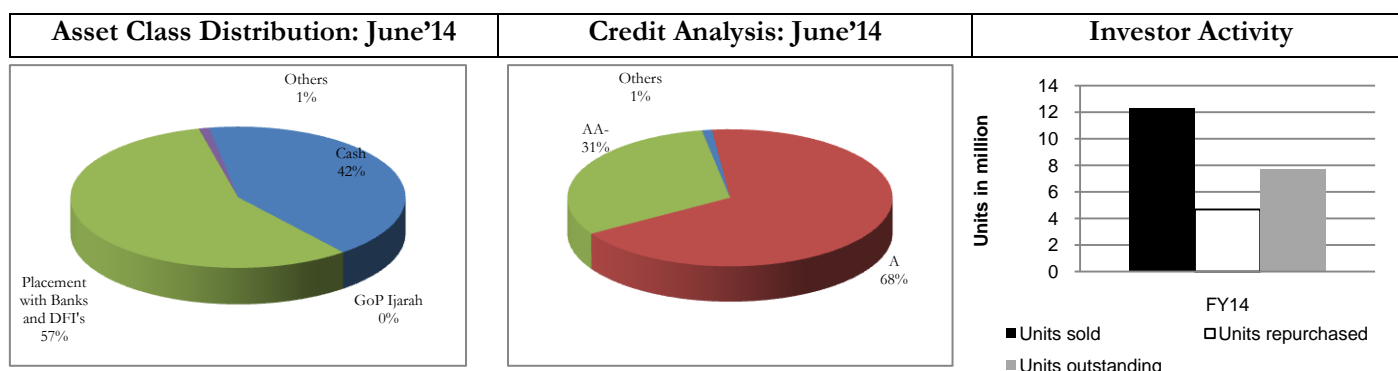
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Investment Objective

The objective of the fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

PICIC Islamic Income Fund (PICIC- IIF)		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A(f)
	Dec 22, '14	Aug 04, '14
Management Company	PICIC Asset Management Company Limited	
Chief Executive	Mr. Mir Adil Rashid	
Fund Manager	Mr. Tauqir Shamshad	
External Auditors – Fund	A.F.Ferguson & Co.	
Trustee	Central Depository Company Limited	
Front-end Load	Class B: 0% to 1.50%	
Back-end Load	-	
Management Fee	10% of gross earnings, within a range of 0.50%~1.50% avg. daily net assets	
Benchmark	Average of 6-Month rate of A & above rated Islamic bank deposit	



PICIC Islamic Income Fund (PIIF), a Shari’ah compliant income fund, was launched on May 29, 2014 by PICIC Asset Management Company Limited (PICIC AMC). This is amongst the first few Islamic funds launched by the company in a bid to expand its product offering and cater to Shari’ah conscious investors.

The investment policy of the fund, as laid down in the constitutive documents, allows the fund to invest in Islamic instruments such as Sukuk, Musharaka & Murabaha Instruments, Certificate of Islamic Investments and other Islamic income products. The Offering Document (OD) stipulates minimum issue/issuer rating as ‘A-’ (Single A Minus) for all exposures to be assumed by the fund. The Operational Investment Policy is relatively stringent in the following two areas:

- Minimum rating for all exposures has been defined as ‘A’ (Single A)

- The internal investment policy restricts the exposure in spread transactions to 20% of net assets vis-à-vis 40% allowed in the OP

Exposure limits for each asset class, as laid down in the investment policy, are presented in the following table:

Table 1: Operational Investment Policy

Authorized Investment	Minimum Rating		Investment Limits as a % of Net Assets
	Entity	Inst.	
Shariah Compliant Government Securities exceeding 90 days maturity.	N/A	N/A	0%~75%
Shariah Compliant Government Securities not exceeding 90 days maturity.	A	N/A	25%~100%
Bank Deposits and placement of funds with licensed Islamic Banks	A	A	0%~100%
Spread Transactions as approved by the Shariah Advisors in eligible securities as declared by the Stock Exchanges and the SECP	N/A	N/A	0%~20%
Reverse Repo transactions against Shariah Compliant Government Securities and debt securities (including Sukuks) not exceeding 6 month maturity.	A	A	0%~20%

Secured and unsecured, listed and/or privately placed Shariah Compliant Government Securities / Government guaranteed / Sukuks	N/A	N/A	0%~75%
Secured and unsecured, listed and/or privately placed Shariah Compliant debt Securities / Sukuks.	A	A	0%~50%
Shariah Compliant non-traded securities with maturity of less than and equal to 6 months	A	A	0%~75%
Shariah Compliant non-traded securities with maturity exceeding 6 months.*	A	A	0%~15%

*Including but not limited to Bank Deposits with licensed Islamic Banks and/or Islamic Branches/Windows of Conventional Banks and placement of funds under money market instruments, Shariah Compliant Commercial Papers, Mudarabah, Murabaha, Musharakahs, Istisna, Salam and Ijarah arrangement with Banks, NBFCs, Mudarabahs and Development Financial Institutions.

Pre-IPO and IPO investment raised by the fund were Rs. 408.2m and Rs. 752m, respectively. However, net assets declined to Rs. 587m by end-October, 2014 on account of redemptions. At end-June 2014, the largest investor of the fund was PICIC AMC itself, holding 13.2% of the outstanding units. Top 10 investors held 98.9% of outstanding units at end-Jun'14.

As per the fund's investment policy, a minimum of 25% of net assets are to be deployed in cash equivalents. Maximum limit for investment in Shari'ah compliant corporate debt instrument is 5% of the issue size or net assets, whichever is lower. However, the said limit may be enhanced to 10% with the prior approval of relevant authority. Actual asset allocation of the fund is presented in the table below:

Asset Allocation (PIIF)		
	end-Jun'14	end-Oct'14
Cash	42%	66%
Placements with Banks and DFI's	57%	25%
Corporate Sukoks	0%	7%

GoP Ijarah	0%	0%
Other assets	1%	2%
Total	100%	100%

Asset allocation & credit risk profile has remained aligned with the IPS, with funds largely deployed with banks and DFIs. Exposure in Sukuk has averaged about 7% of assets over the period July to October 2014. Corporate Sukuk in the portfolio include those issued by Engro Fertilizer Limited with instrument rating of 'A+'. The fund has so far not made any investment in GoP Ijarah Sukuk on account of low availability. Overall, risk profile of the fund has remained sound.

As per policy, the maximum time to maturity of net assets excluding Shari'ah compliant government securities may not exceed 4 years while the maximum duration of the fund is targeted at 2 years. Until September, the fund's Weighted Average Maturity (WAM) at any month end was under 34 days though the same has increased to 129 days at end October 2014.

PIIF has generated return of 8.23% since inception until end-October 2014. From May 29, 2014 to June 30, 2014, the AMC had waived management fee though it is subsequently being charged at 10% of gross earnings, subject to minimum of 0.5% and maximum of 1.5% of daily average net assets. Given the fund's current composition, returns are likely to depict stability ^{JCR-VIS}

JCR-VIS Credit Rating Company Limited

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
22-Dec-14	A(f)	<u>RATING TYPE: Fund Stability</u>		Reaffirmed
04-Aug-14	A(f)			Initial