

RATING REPORT

Al-Meezan Investment Management Limited

REPORT DATE:

March 29, 2017

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM1	AM2++
Rating Date	Mar 17, '17	Dec 31, '15

COMPANY INFORMATION

Incorporated in February 1995	External auditors: AMC – A.F. Ferguson and Co. Chartered Accountants Funds – KPMG Taseer Hadi & Co. – Deloitte Yousuf Adil*
Key Shareholders:	Chairman of the Board: Arif-ul-Islam Chief Executive Officer: Mohammad Shoail, CFA
Meezan Bank Limited – 65%	
Pak Kuwait Investment Company Limited – 30%	
Employees – 5%	

*since July 2016

APPLICABLE METHODOLOGY(IES)

Mutual Funds Rating (March 2016): <http://www.jcrvis.com.pk/docs/AMC-Methodology-201603.pdf>

Al-Meezan Investment Management Limited

OVERVIEW OF THE AMC	RATING RATIONALE
<p>Al-Meezan Investment Management Limited (AMIML) was incorporated 1995 as a private limited company under the Companies Ordinance, 1984. Financial Statements of the Asset Management Company (AMC) for FY16 were audited by A.F. Ferguson and Co. Chartered Accountants.</p> <p>Profile of Chairman Mr. Arif-ul-Islam has been associated with Meezan group since 1999. Mr. Islam has over 30 years of banking experience and has held several senior management positions. Currently, Mr. Islam is serving as Meezan Bank’s Deputy CEO and an Executive Board member.</p> <p>Profile of CEO Mr. Mohammad Shoaib, CFA has over 25 years’ experience of managing investment portfolios and is a founding member of the CFA Association of Pakistan (CFAAP). Moreover, he has served as the Chairman and Director on the Board of Mutual Funds Association of Pakistan (MUFAP).</p>	<p>Al-Meezan Investment Management Limited (AMIML) is a subsidiary of Meezan Bank Limited (MBL); residual ownership resides with Pak-Kuwait Investment Company Limited and AMIML’s management. AMIML is the largest private sector AMC, offering only Shariah compliant funds, accounting for 51% and 16% of Islamic and overall industry respectively. The AMC offers a comprehensive product suite of 24 investment plans and mutual funds spanning from basic equity and income funds to commodity fund.</p> <p>Rating Drivers</p> <ul style="list-style-type: none"> • Assets under Management (AUMs): Recently, AMIML’s AUMs have crossed Rs. 100 billion accompanied by sizeable retail investor base, which accounts for approximately two thirds of total AUMs. Value concentration here underplays the retail volume; however, relatively sticky nature of retail investment ensures stability in net assets. • Investment Process & Risk Management: Investment decisions are channeled through fundamentals backed research and input from risk which contributes to prudent decision making. Moreover, measures to assess risk have been introduced such as evaluating risk adjusted performance, gauging retail investor concentration and triggering management action according to limit breaches. • Governance & Control: AMIML has a sound governance structure with emphasis on a well-developed policy framework. The company has a strong risk management and control framework in place, which exhibits strong disposition towards self-regulation, transparency and disclosures. However, compliance with best practices warrants segregation with respect to shared functions and formation of Board Risk Committee. • Product suite: The AMC offers an array of investment schemes; AMIML has launched a fund of fund, pension fund commodity sub fund and an energy equity fund post August 2016, performance and viability of these funds will be tested over time. Given low interest rate scenario, Meezan Islamic Fund (MIF), an equity fund maintained its position as AMIML’s flagship fund. • Management Team: Senior Management at AMIL comprises qualified, seasoned professionals. Moreover, the team has also remained largely stable over the years, which has supported implementation and execution of planned business strategy. Stability in senior management team will continue to be one of the key rating drivers. • Sponsor support: Ratings of AMIML incorporate strong sponsor profile and support that has been demonstrated through assistance provided for Shariah Advisory and infrastructural support. • Fund Performance: The performance of AMCs funds have been tested on a risk adjusted return metric developed by JCR-VIS. Based on this metric, AMIML has consistently featured in the top 30% for the last five calendar years, ranking at the top among peers. The rating would remain underpinned to the continuity of all the performance indicators outlined above <p>Outlook JCR-VIS will continue to track the AMC’s ability to sustain market leadership & fund performance. Additionally, maintaining strong governance framework is considered important from a rating perspective.</p>

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Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Al-Meezan Investment Management Limited

FINANCIAL SUMMARY			Appendix I
<u>MEEZAN ISLAMIC FUND (MIF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	32,554	27,403	16,622
Return (%)	17.0%	21.6%	29.0%
Benchmark (%)	16.0%	20.1%	30.0%
Retail Proportion (% of Net assets)	48%	44%	49%
Ranking Against Peers	3 out of 16	8 out of 11	5 out of 8
<u>AL-MEEZAN MUTUAL FUND (AMMF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	5,418	4,007	2,847
Return (%)	16.0%	22.0%	29.8%
Benchmark (%)	16.0%	20.1%	30.0%
Retail Proportion (% of Net assets)	46%	52%	37%
Ranking Against Peers	4 out of 16	7 out of 11	4 out of 8
<u>KSE-MEEZAN INDEX FUND (KMIF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	882	1,159	1,176
Return (%)	13.3%	17.1%	26.5%
Benchmark (%)	15.5%	20.1%	29.9%
Retail Proportion (% of Net assets)	35%	25%	25%
<u>MEEZAN ISLAMIC INCOME FUND (MIIF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	9,051	4,263	4,918
Return (%)	5.8%	8.2%	11.9%
Benchmark (%)	3.5%	5.0%	5.4%
Retail Proportion (% of Net assets)	42%	43%	30%
Ranking Against Peers	3 out of 15	4 out of 14	1 out of 10
<u>MEEZAN SOVEREIGN FUND (MSF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	7,945	8,657	20,281
Return (%)	5.1%	6.8%	8.5%
Benchmark (%)	4.5%	6.2%	6.6%
Retail Proportion (% of Net assets)	28%	36%	33%
Ranking Against Peers	1 out of 3	1 out of 3	2 out of 3
<u>MEEZAN CASH FUND (MCF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	3,432	7,618	3,049
Return (%)	4.6%	7.5%	7.1%
Benchmark (%)	4.5%	6.2%	6.6%
Retail Proportion (% of Net assets)	66%	40%	65%
Ranking Against Peers	2 out of 3	1 out of 3	1 out of 4

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<u>MEEZAN BALANCED FUND (MBF)</u>	FY16	FY15	FY14
Fund Size (in Rs. millions)	4,708	3,383	1,930
Return (%)	12.0%	16.0%	20.0%
Benchmark (%)	10.0%	13.0%	18.0%
Retail Proportion (% of Net assets)	61%	58%	39%
<u>MEEZAN FINANCIAL PLANNING FUND OF FUNDS (MFPFOF)</u>			
<i>Aggressive Plan</i>			
Fund Size (in Rs. millions)	443	356	330
Return (%)	13.3%	16.5%	22.1%
Benchmark (%)	11.7%	15.1%	21.7%
Retail Proportion (% of Net assets)	42%	36%	39%
<i>*80 days of operations</i>			
<i>Moderate Plan</i>			
Fund Size (in Rs. millions)	367	320	255
Return (%)	11.3%	13.6%	17.3%
Benchmark (%)	10.0%	12.9%	18.2%
Retail Proportion (% of Net assets)	57%	70%	76%
<i>*80 days of operations</i>			
<i>Conservative Plan</i>			
Fund Size (in Rs. millions)	327	237	341
Return (%)	8.7%	10.1%	12.6%
Benchmark (%)	6.7%	8.6%	11.2%
Retail Proportion (% of Net assets)	79%	95%	58%
<i>*80 days of operations</i>			
<i>Meezan Capital Preservation Plan-I</i>			
Fund Size (in Rs. millions)	1,576	1,590	-
Return (%)	10.5%	7.8%**	
Benchmark (%)	8.7%	8.5%	
Retail Proportion (% of Net assets)	43%	47%	
<i>**303 days of operations</i>			
<i>Meezan Capital Preservation Plan-II</i>			
Fund Size (in Rs. millions)	3,035	3,082	-
Return (%)	6.5%	0.4%	
Benchmark (%)	5.6%	2.0%	
Retail Proportion (% of Net assets)	58%	59%	
<i>***196 days of operations</i>			

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<i>Meezan Asset Allocation Plan-I</i>			
Fund Size (in Rs. millions)	1,278	-	-
Return (%)	11.7%		
Benchmark (%)	14.9%		
Retail Proportion (% of Net assets)	47%		
<i>Meezan Asset Allocation Plan-II</i>			
Fund Size (in Rs. millions)	925	-	-
Return (%)	14.8%		
Benchmark (%)	18.3%		
Retail Proportion (% of Net assets)	44%		
<i>Meezan Asset Allocation Plan-III</i>			
Fund Size (in Rs. millions)	2,851	-	-
Return (%)	13.5%		
Benchmark (%)	17.1%		
Retail Proportion (% of Net assets)	47%		
<i>Meezan Asset Allocation Plan-IV</i>			
Fund Size (in Rs. millions)	532		
Return (%)	0.7%		
Benchmark (%)	0.4%		
Retail Proportion (% of Net assets)	91%		
<u>MEEZAN TAHAFFUZ PENSION FUND</u>			
	FY16	FY15	FY14
<i>Equity sub-fund</i>			
Fund Size (in Rs. millions)	4,099	2,740	1,537
Return (%)	18.1%	26.6%	32.4%
<i>Debt sub-fund</i>			
Fund Size (in Rs. millions)	1,997	1,399	1,047
Return (%)	4.5%	6.4%	7.7%
<i>Money market sub-fund</i>			
Fund Size (in Rs. millions)	453	338	299
Return (%)	4.0%	6.9%	6.9%
<u>MEEZAN CAPITAL PRESERVATION FUND-II</u>			
	FY16	FY15	FY14
Fund Size (in Rs. millions)	1,217	2,236	-
Return (%)	11.2%	10.3%	
Benchmark (%)	8.9%	8.5%	
Retail Proportion (% of Net assets)	15%	42%	

RATING SCALE - MANAGEMENT QUALITY RATINGS

AM1:

Asset manager exhibit Excellent management characteristics

AM2++, AM2+, AM2:

Asset manager exhibit Very Good management characteristics

AM3++, AM3+, AM3:

Asset manager exhibit Good management characteristics

AM4++, AM4+, AM4:

Asset manager exhibit Adequate management characteristics

AM5:

Asset manager exhibit Weak management characteristics

For harmony in notations, single plus (+) or double plus (++) have replaced notation of plus (+) or minus (-) to indicate the relative degree of strength within each category.

For companies undertaking Investment Advisory Services only, the Management Quality Rating Scale is appended with the suffix 'IA' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.

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Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

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REGULATORY DISCLOSURE		Appendix III		
Name of Rated Entity	Al-Meezan Investment Management Limited			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	3/17/2017	AM1	Stable	Upgrade
	5/4/2016	AM2++	Stable	Harmonized
	12/31/2015	AM2+	Stable	Reaffirmed
	12/3/2014	AM2+	Stable	Upgrade
	5/14/2013	AM2	Stable	Reaffirmed
	3/8/2012	AM2	Stable	Reaffirmed
	4/15/2011	AM2	Stable	Reaffirmed
Instrument Structure	N/A			
Statement by the Rating Team	JCR-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.			
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