

*Date: January 09, 2017*

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**Investment Objective**

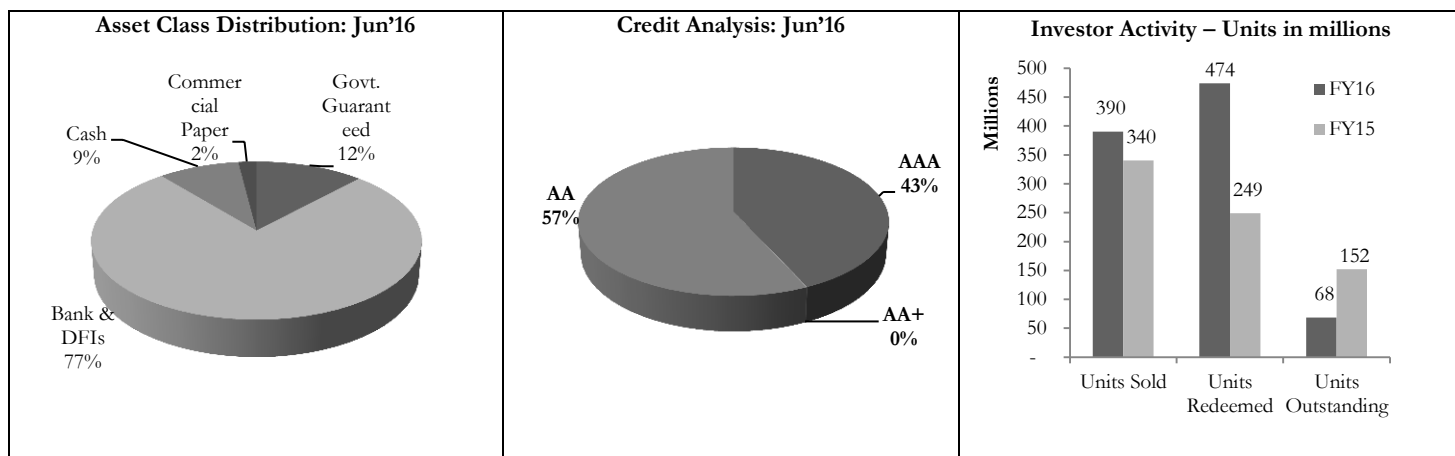
To seek maximum possible preservation of capital and a reasonable rate of return via investing primarily in liquid Shariah compliant money market and debt securities.

<b>Meezan Cash Fund</b>		
<b>Rating Category</b>	<b>Latest</b>	<b>Previous</b>
Fund Stability Rating	<b>AA(f)</b>	<b>AA(f)</b>
	<i>Dec 30, 2016</i>	<i>Jan 12, 2016</i>
AMC	Al Meezan Investment Management Ltd.	
External Auditors – Fund	KPMG Taseer Hadi & Co.	
Fund Managers	Zain Malik, CFA	
Shariah Advisor	Meezan Bank Limited	
Trustee	Central Depository Company	
Front-end Load	Nil	
Back-end Load	Nil (0.1% if redemption within 3 days)	
Management Fee	1.0%	
Benchmark	Three months average deposit rates of three AA rated Islamic Banks or Islamic windows of Conventional banks	

<b>In Rs. m</b>	<b>MCF</b>	
	<b>FY16</b>	<b>FY15</b>
Type of Scheme	Money Market	
Return (%)	4.6%	7.5%
Peer Average (%)	4.6%	7.0%
Benchmark (%)	4.5%	6.2%
Relative Ranking	2 out of 3	1 out of 3
Fund Size (in Rs. m)	3,432	7,618
Retail (%)	66%	40%
Associates (%)	4%	26%
Number of Investors	3,451	3,232
Top 10 Investors / AUMs	29%	43%
WATM ( <i>Weighted Average Time to Maturity</i> ) in days	23.8 days	28.1 days
Duration (at end FY16) in days	21.9 days	
<b>Asset Allocation (Based on month-end averages across the fiscal year)</b>		
<i>Ijarah Sukuks</i>	2%	20%
<i>Commercial Paper</i>	4%	3%
<i>Placements with Banks</i>	14%	16%
<i>Cash</i>	78%	60%
<i>Others inc. Receivables</i>	2%	3%

## JCR-VIS Credit Rating Company Limited

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



Meezan Cash Fund (MCF) is a Shariah compliant, open-ended fund that aims to provide investors maximum return through investing in specified money market and debt securities. MCF offers maximum preservation of principal investment and high liquidity.

**Table 1: Offering document (extract)**

Description	Min rating	Min- Max Limits	Min-Max Actual
Shari'ah compliant debt and money market securities (including those issued by government)	AA	0%-70%	0%-18%
Bank deposits in licensed Islamic banks & Islamic windows of conventional banks	AA	20%-100%	80%-99%
Any Shari'ah compliant structure: Musharka, Muarabah, Ijarah and others	AA	0%-50%	0%
Subject to SECP's approval, Shari'ah compliant securities traded outside Pakistan	AA	0%-30%	0%
Any other Shari'ah compliant investment approved by Shari'ah advisor and authorized by Commission	AA	0%-30%	0%

The Investment Committee (IC) comprises Chief Executive Officer (CEO), Chief Investment Officer (CIO), Head of Risk Management and fund managers. Decision making is done on consensus basis.

Over FY16, Net Assets have reduced to approximately half of its preceding year value (FY16: Rs. 3.4b, FY15: Rs. 7.5b) attributable to redemptions, primarily emanating from corporates. In accordance with the approved investment avenues, MCF's returns are susceptible to

movements in discount and bank deposit rate. Given the prevailing low interest rate environment, equity funds are more attractive to investors from a returns perspective, as compared to money market funds; therefore, funds were shifted accordingly.

### Asset Allocation

As per the offering document, MCF is allowed to invest in securities with a minimum credit quality rating of AA.

**Table 2: Asset Allocation**

Assets	Jun'16	Jun'15	Average
Govt. guaranteed securities	-	9%	2%
Banks & DFIs	12%	7%	14%
Cash	77%	83%	78%
Commercial Paper	9%	-	4%
Others	2%	1%	2%
Total	100%	100%	

Over the course of FY16, asset allocation has changed. The management has taken exposure in a commercial paper whereas government backed Ijarah sukuks have matured. As at end June 2016, 77% of total portfolio was held as cash, 12% was placed with banks, 9% in commercial paper and others.

### Credit & Market risk

**Table 3: Credit Quality Summary- FY16**

Credit Quality	Average	Maximum	Minimum
AAA	26%	57%	0%
AA+	33%	79%	0%
AA	34%	83%	10%
A+	0%	3%	0%

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As return offered by Islamic securities is floating in nature, actual duration is expected to remain under the defined limit of 180 days. As at end FY16, duration had been 21.9 days (FY15: 25.6 days). Weighted average time to maturity was reported as 23.8 days (FY15: 28.1 days) as of June 2016, which is capped at 90 days.

### Liquidity Profile

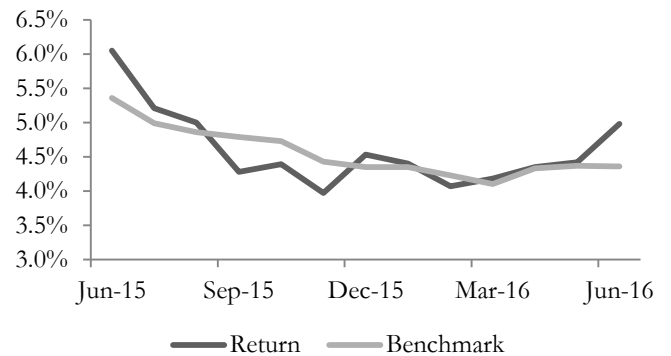
Portfolio concentration declined to 29% (FY15: 43%) as at June 2016 on the back of redemptions during the year. Subsequent to above mentioned event, the unit holding pattern altered; retail's share increased to 66% (FY15: 40%) and associates' share sank to a minimal 4% (FY15: 26%). Despite decline in AUMs, number of investors increased to 3,415 (FY15: 3,323) as at end FY16, as reduction stemmed from corporates (both related and unrelated).

### Fund Performance

Table 4: Fund performance

	FY16	FY15
Return (%)	4.6%	7.5%
Benchmark (%)	4.5%	6.2%
Peer Average	4.6%	7.0%
Relative Ranking	2/3	1/3

Figure 1: Monthly fund return vs. benchmark



Considering annualised returns, MCF traced benchmark's return; however the return fluctuated on monthly basis. Relative to peers, the fund reported same return as peer average but it is rank declined to 2<sup>nd</sup> out of 3 funds (FY15: 1<sup>st</sup> out of 3 funds) JCR-VIS

**Rating History**

<b>Rating Type</b>	<b>Rating Date</b>	<b>Medium to Long Term</b>	<b>Rating Action</b>
<b>Fund Stability</b>	12/30/2016	AA(f)	Reaffirmed
<b>Fund Stability</b>	1/12/2016	AA(f)	Reaffirmed
<b>Fund Stability</b>	10/28/2014	AA(f)	Reaffirmed
<b>Fund Stability</b>	8/15/2013	AA(f)	Reaffirmed
<b>Fund Stability</b>	1/1/2013	AA(f)	Reaffirmed
<b>Fund Stability</b>	12/27/2011	AA(f)	Reaffirmed
<b>Fund Stability</b>	12/9/2010	AA(f)	Reaffirmed