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Investment Objective

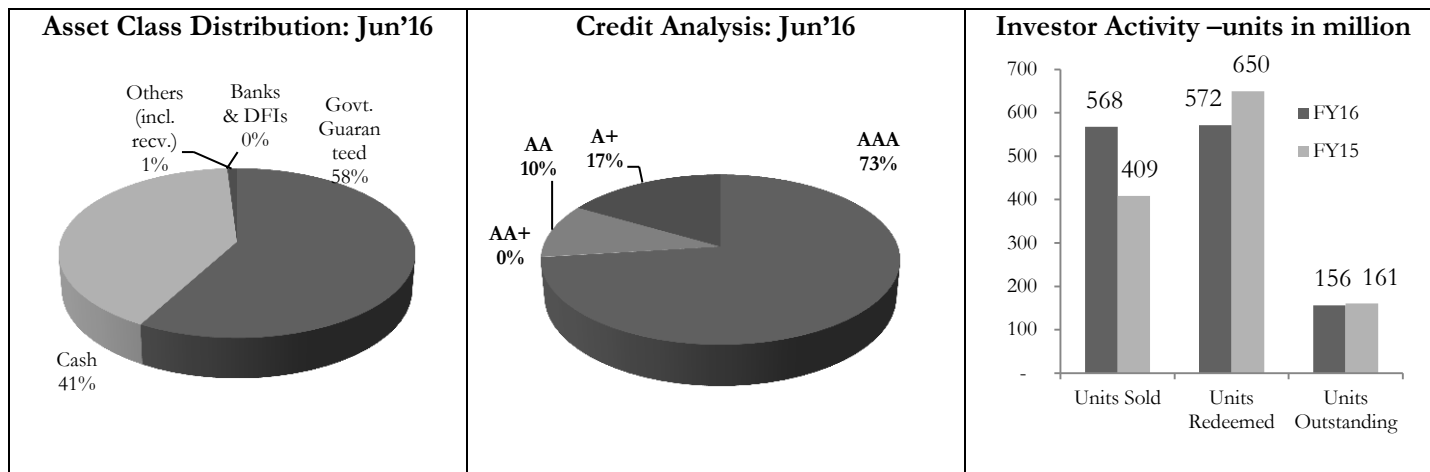
To seek maximum possible preservation of capital at a reasonable rate of return.

Meezan Sovereign Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA(f)	AA(f)
	<i>Dec 30, 2016</i>	<i>Jan 12, 2016</i>
Asset Management Company	Al Meezan Investment Management Limited (Al-Meezan)	
Shariah Advisor	Meezan Bank Ltd	
External Auditor - Fund	KPMG Taseer Hadi & Co.	
Fund Manager	Mr. Zain Malik, CFA	
Trustee	Central Depository Company Ltd.	
Front-end Load	0.5%	
Back-end Load	Nil	
Management Fee	1%	
Benchmark	6-months PKISRV rates	

	MSF	
	FY16	FY15
Type of Scheme	Income	
Return (%)	5.1%	6.8%
Benchmark (%)	4.5%	6.2%
Relative Ranking	2 out of 3	2 out of 3
Fund Size (in Rs. m)	7,945	8,657
Retail (%)	28%	36%
Associates (%)	58%	57%
Number of Investors	3,958	4,326
Top 10 Investors / AUMs	62%	59%
WATM (<i>Weighted Average Time to Maturity</i>)	1.96 years	0.37 years
Duration (at end FY16)	1.01 years	
Asset Allocation (<i>Based on month-end averages across the fiscal year</i>)		
<i>Government backed / issued Securities</i>	71%	69%
<i>Cash</i>	27%	28%
<i>Banks & DFIs</i>	-	-
<i>Others inc. Rec.</i>	2%	3%

JCR-VIS Credit Rating Company Limited

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



Meezan Sovereign Fund (MSF) is an open ended Shariah compliant sovereign fund. Given the structural design, the fund's return is directly related to return of government backed Shariah compliant debt instruments.

Over FY16, net assets of the fund slightly declined to Rs. 7.9b (FY15: Rs. 8.7b); this reduction was manifested in retail and associate investments.

Table 1: Offering document (extract)

Description	Min. Rating	Min- Max Limits		Min- Max Actual
Shariah compliant fixed income Government securities (including sukuks)	N/A	70%-100%		22-90%
Cash in bank accounts of Islamic banks & Islamic windows of conventional banks. Government securities with <90 days maturity	A+	25%	10%	7%-76%
	AA		30%	
Shariah compliant spread transactions in government securities	N/A	0%-40%		-
Bank deposits in licensed Islamic banks & Islamic windows of conventional banks	AA	0%-10%		0%-2%
Any other Shariah compliant government security	N/A	0%-15%		1%-5%
Subject to SECP and other regulatory approval, investment in Shariah compliant debt and money market securities	N/A	0%-30% (<\$15m)		-

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.

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'16	Jun'15	Average
Govt. guaranteed securities	58%	70%	71%
Cash	41%	28%	27%
Banks & DFIs	-	-	0%
Others	1%	2%	2%
Total	100%	100%	

As per MSF's offering document, the fund should park a minimum 70% of net assets in Shariah compliant Government of Pakistan (GoP) fixed income securities. Over FY16, post redemption of some government securities, prices of residual instruments surged on the back of limited supply; acquiring these expensive securities would have negatively impacted returns, therefore, the management acquired fresh government securities issued later in the year. Owing to the above mentioned time lag in acquiring government securities, the fund remained non-compliant for 4 out of 12 months in FY16. Since excess cash generated from redemption of government securities was invested in other permissible avenues, it led to breach of maximum limit of 30% for cash & cash equivalents. As at end FY16, investment in GoP fixed income securities was reported as 58% (FY16: 70%) of net assets.

Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	81%	92%	54%
AA+	7%	33%	0%
AA	4%	11%	1%
A+	6%	17%	0%

Since GoP fixed income instruments are linked with the market benchmark rates; portfolio's sensitivity to latter remains minimal. As at end June 2016, Weighted Average Time to Maturity (WATM) was reported 1.96 years (FY15: 0.37 years) on the back of greater funds being placed with banks; WATM remains under the limit of 4 years.

Liquidity Profile

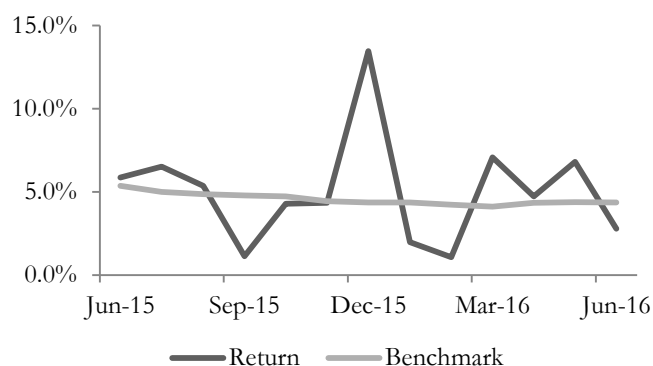
Although slightly reduced, the portfolio remains highly concentrated with top 10 investors accounting for a significant 62% (FY15: 68%) of total AUMs as at end June 2016. The concentration is primarily attributable to related party investments (45%), specifically AMIML's Collective Investment Schemes. Furthermore, retail proportion shrank to 28% (FY15: 36%) as evidenced by the contracted number of retail investors (FY16: 3,803; FY15: 4,187).

Fund Performance

Table 4: Fund performance

	FY16	FY15
Return (%)	5.1%	6.8%
Benchmark (%)	4.5%	6.2%
Peer Average	5.0%	6.8%
Relative Ranking	2/3	2/3

Figure 1: Fund performance



Over FY16, the fund managed to outperform its benchmark, however, returns remained subdued because of current low interest rate scenario. Moreover, returns depicted high volatility over FY16. Relative to peers, the fund maintained its position; 2nd out of 3 funds [JCR-VIS](#)

Rating History

Rating Type	Rating Date	Medium to Long Term	Rating Action
Fund Stability	12/30/2016	AA(f)	Reaffirmed
Fund Stability	1/12/2016	AA(f)	Reaffirmed
Fund Stability	10/28/2014	AA(f)	Reaffirmed
Fund Stability	8/29/2013	AA(f)	Reaffirmed
Fund Stability	3/29/2012	AA(f)	Harmonised
Fund Stability	5/4/2010	AA+(f)	Final
Fund Stability	2/2/2010	AA+(f)	Preliminary