

JCR-VIS Credit Rating Company Limited

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

December 31, 2015

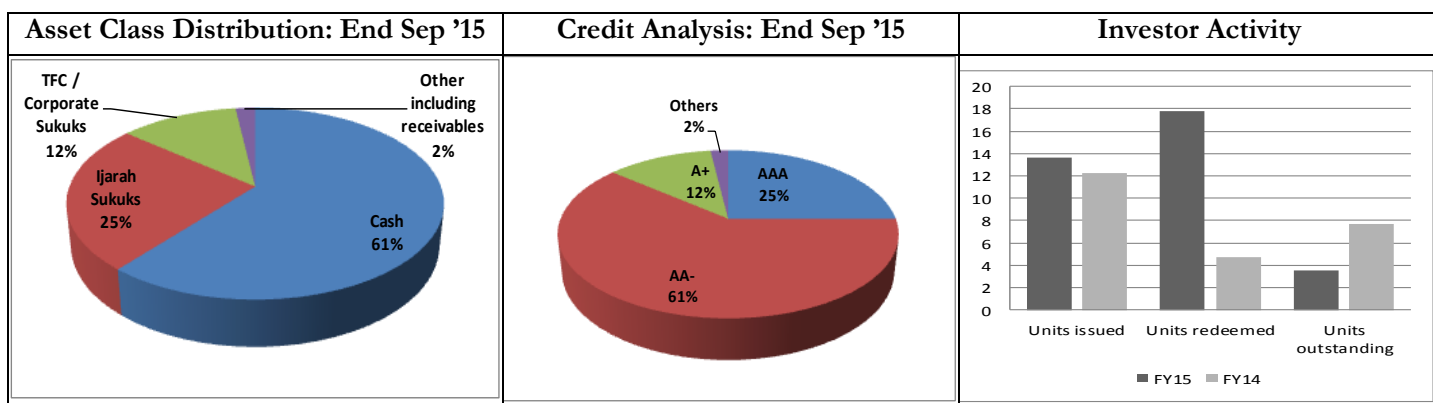
Analysts: Waqas Munir, FRM
Maham Qasim

Investment Objective

To provide competitive risk adjusted returns to investors by investing in a diversified portfolio of long, medium and short-term Shariah compliant debt instruments.

The investment committee (IC) comprises three members including the CEO, Head of Fixed Income and Manager Risk.

PICIC Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A(f)
	Dec 28, '15	Dec 22, '14
Management Company	PICIC Asset Management Company Limited (PICIC AMC)	
Chief Executive	Suleman Chhagla	
Fund Manager	Mr. Tauqir Shamshad	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	Class B: 0%-1.5% of NAV	
Back-end Load	Nil	
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	



In addition to government sukuk, investments are made in corporate sukuk instruments with a minimum credit rating of 'A'. Moreover, weighted average duration of the portfolio is capped at 2 years. Following table presents the pre-defined limits of the fund in different asset classes.

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%

Table 1: PICIC Islamic Income Fund Operational Limits

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%

At end-FY15 net assets amounted to Rs. 359.34m (end-FY14: 770m), of which 65% was held as cash followed by GoP Ijarah sukuk (22%) and corporate sukuk (11%). Investments in cash and bank balances averaged more than 50% during FY15. Investment in corporate sukuk represents investment in sukuk of Engro Fertilizer Limited, representing 12.3% of net assets at end-1QFY16. Credit quality of the issue is considered sound.

PICIC Islamic Income Fund

Net assets of the fund declined to Rs. 320m by end-1QFY16.

Benchmark	4.8%	6.6%
Relative Ranking	8 of 13	2 of 13

Table 2: Asset allocation summary

	End-IQ16 (%)	Avg. FY15 (%)
Cash	61%	52.9%
Term Deposits	-	29.4%
GoP Ijarah	25%	8.0%
Corporate Sukuk	12%	7.8%
Others assets	2%	1.9%

Total number of investors remained largely unchanged at 100 at end-FY15 (FY14: 101). During FY15, investment by retail clients decreased to 10.7% (FY14: 23.8%), while investment by PICIC AMC was reported at 13.9% (FY14: 13.8%). Investor concentration remained high with top ten investors representing 91% of AUM at end-FY15 (FY14: 99%) JCR-VIS

The allocation of credit quality remained inline with the operational IPS with majority allocation in “AA-” rated instruments.

Table 3: Credit quality summary FY15

	Average	Maximum	Minimum
AAA	9.75	22	0
AA+	7.17	32	0
AA-	52.33	71	34
A	22.58	55	1

WAM of portfolio amounted stood at 198 days at end-FY15, which reduced to 186 days at end-1QFY16. During 2HFY15, the fund increased its average duration to 183 days as compared to 85 days during 1HFY15.

Table 4: Market risk summary FY15

	Average	Maximum	Minimum
WAM	134.3	241	13

In terms of relative performance, the funds return was ranked in the top quartile during FY15 with returns outperforming peer group average and benchmark return. During 1QFY15, funds return largely remained inline with the benchmark and peer group average return.

Table 5: Performance summary

	Sept'15	FY15
Net Assets (Rs. Millions)	320	359
Return	5.1%	9.07%
Peer Group Average	5.1%	7.1%

PICIC Islamic Income Fund

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
	<u>RATING TYPE: Fund Stability Management Quality</u>			
28-Dec-15	A(f)	-	-	Reaffirmed
22-Dec-14	A(f)	-	-	Reaffirmed
04-Aug-14	A(f)	-	-	Initial