

Date: January 20, 2017

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Investment Objective

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.

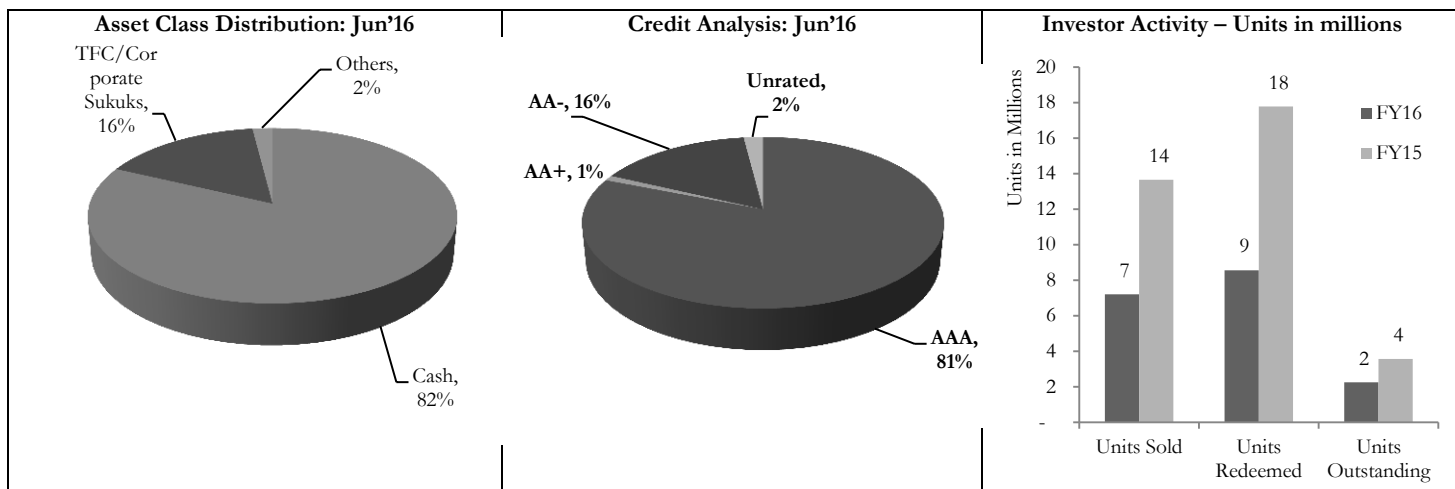
PICIC Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A+(f) <i>Jan 05, '17</i>	A(f) <i>Dec 28, '15</i>
AMC	HBL Asset Management Limited	
External Auditors – Fund	Deloitte Yousuf Adil & Co.	
Fund Managers	Mr. Tauqir Shamshad	
Trustee	Central Depository Company	
Front-end Load	Class B: 0% to 1.5%	
Back-end Load	-	
Management Fee	10% of gross earning subject to minimum fee 0.5% and maximum fee of 1.5%	
Benchmark	6 months deposit rate	

	PICICIIF	
	FY16	FY15
Type of Scheme	Income	
Return (%)	4.8%	8.4%
Benchmark (%)	5.2%	6.6%
Peer Average (%)	5.0%	6.9%
Relative Ranking	11/15	2/14
Fund Size (in Rs. m)	227	359
Retail (%)	37%	11%
Associates (%)	11%	14%
Number of Investors	114	100
Top 10 Investors / AUMs	82%	91%
WATM (Weighted Average Time to Maturity)	187 days	198 days
Duration	2 days	33 days
Asset Allocation (at end June)		
<i>T-Bills</i>	-	-
<i>Ijarah Sukuk</i>	-	22%
<i>TFCs/Corporate Sukuk</i>	16%	11%
<i>Certificate of Investments</i>	-	-
<i>Cash</i>	82%	65%
<i>Banks & DFIs</i>	-	-
<i>MTS</i>	-	-
<i>Others (including receivables)</i>	2%	2%

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PICIC Islamic Income Fund (PICIC IIF) is a Shariah Compliant open ended fund which aims to provide investors comparable return by investing in diversified pool of debt instruments, bank deposits and other approved investment avenues.

Table 1: Approved Investment Avenues-Offering document (extract)

Description	Min-Max limits	Min-Max Actual	Min Rating
Shariah Compliant Government Securities > 90 days maturity	0%-75%	0%-28%	-
Shariah Compliant Government Securities (excluding Sukuk) < 90 days maturity and Cash at Bank (excluding TDR) with licensed Islamic Banks and/or Islamic Branches/Windows of Conventional Banks.	25%-100%	55%-88%	A-
Bank Deposits and placement of funds < 6 months with licensed Islamic Banks, Islamic Financial Institutions or Islamic Branches/Windows of Conventional Banks	0%-100%	-	A-

Spread Transactions as approved by the Shariah Advisors in eligible securities as declared by the Stock Exchanges and the SECP	0%-40%	-	-
Secured and unsecured, listed and/or privately placed Shariah Compliant Government Securities/ Government guaranteed /Sukuk	0%-75%	-	-
Secured and unsecured, listed and/or privately placed Shariah Compliant debt Securities / Sukuk issued by corporate entities and or Financial Institutions	0%-50%	9%-16%	A-
Shariah Compliant non-traded securities with maturity of < 6 months	0%-75%	-	A-
Shariah Compliant non-traded securities with maturity of > 6 months	0%-15%	-	A-
Subject to approval, authorized Shariah Compliant Investments outside Pakistan including Islamic mutual funds	0%-30% (cap \$15m)	-	A
Any other Shariah Compliant instruments/ securities that may be permitted or approved by the SECP and Shariah Advisor of the Scheme	As allowed by Commission	-	A-

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from time to time			
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The Investment Committee (IC) comprises Chief Executive Officer, Head of Research, Chief Investment Officer, Manager Risk, Head of Fixed Income and fund managers. Investment decisions are consensus based.

As at end June 2016, Net Assets of the fund were reported lower at Rs. 227m (FY15: Rs. 359m) attributable to redemption from unrelated corporates, share of the same declined to 52% (FY15: 75%). Moreover, retail investment constituted 37% (FY15: 11%) of total Assets Under Management (AUMs).

Asset Allocation

Table 2: Asset Allocation

Assets	Jun'16	Jun'15	Average
Ijarah Sukuk	0%	22%	7%
Banks and DFIs	0%	0%	0%
Cash	82%	65%	79%
TFC/Corporate Sukuk	16%	11%	12%
Others	2%	2%	2%
Total	100%	100%	

Given the dearth of Ijarah Sukuk, the fund's asset allocation shifted towards deposits with banks (FY16: 82%; FY15: 65%). As at end June'16, the fund did not have any Ijarah Sukuk in its portfolio and 16% (FY15: 11%) of its resources were parked in Corporate Sukuk.

Credit & Market risk

Table 3: Credit Quality Summary- FY16

Credit Quality	Average	Maximum	Minimum
AAA	14%	81%	0%
AA+	0%	1%	0%
AA-	38%	98%	11%
A+	46%	87%	0%
Unrated	2%	3%	1%

As per the Investment Policy Statement (IPS), PICIC IIF's investments are subject to a minimum credit rating of 'A-'. In compliance with the requirements, the fund deployed resources largely in A+ and AA- rated issue/issuer, on average.

Table 4: Risk Summary-FY16

	Average	Maximum	Minimum
WATM (days)	158	203	116
Duration (days)	15	34	2

Liquidity Profile

Given the tilt in asset allocation towards bank deposits, both Weighted Average Time to Maturity (WATM) (FY16: 187 days; FY15: 198 days) and duration (FY16: 2 days; FY15: 33 days) were reported lower as compared to preceding year. Moreover, WATM remained under the specified limit of 2 years.

Fund Performance

Figure 1: Monthly return Vs. Benchmark

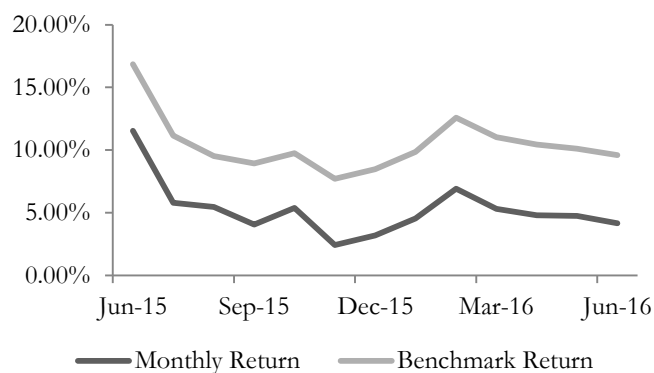


Table 5: Fund performance

	FY16	FY15
Return (%)	4.8%	8.4%
Benchmark (%)	5.2%	6.6%
Peer Average	5.0%	6.9%
Relative Ranking	11/15	2/14

Relative to peers and benchmark, the fund underperformed. Moreover, relative to peers, fund performance has deteriorated on a timeline basis as is reflected in lower ranking (FY16: 11 out of 15 funds; FY15: 2nd out of 14 funds) ^{JCR-VIS}

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Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability Management Quality</u>				
05-Jan-17	A+(f)	-	-	Upgraded
28-Dec-15	A(f)	-	-	Reaffirmed
22-Dec-14	A(f)	-	-	Reaffirmed
04-Aug-14	A(f)	-	-	Initial