



The Pakistan Credit Rating Agency Limited

## Rating Report

### Al Meezan Investment Management Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Jun-2023	AM1	-	Stable	Maintain	-
23-Jun-2022	AM1	-	Stable	Maintain	-
23-Jun-2021	AM1	-	Stable	Maintain	-
26-Jun-2020	AM1	-	Stable	Maintain	-
28-Dec-2019	AM1	-	Stable	Maintain	-
28-Jun-2019	AM1	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Al Meezan Investment Management Limited's ("Al Meezan" or the "Company") rating reflects the Company's established standing as the largest asset manager and its competitive advantage as the first and the largest Shariah-Compliant Asset Manager in Pakistan. This rating reflects the Company's strong brand reputation, diversified fund portfolio, robust governance framework, structured investment processes, and qualified management team. To strengthen its control environment, the Company has segregated its Compliance and Audit functions. Since Jun'20 the AMC has grown up significantly by ~83% in terms of AUMs, while ~40% is the contribution from the new funds i) Meezan Daily Dividend Income Fund and ii) Meezan Paaidaar Munafa plan under the Fixed Term Fund. The Meezan Bank has contributed a major support in the inflow of AUMs over the period, ~30% of the total current AUMs are brought by the Bank. The market share of the Company has experienced a slight decrease as the market grew up at a faster pace of ~98% since Jun'20. However, the Company is catching up with its market share at full tilt and currently standing at 18.0% (Jun'22: 15.5%). The AMC has penetrated well in the retail market ~65% of the total AUMs mix is from retail, the highest in the industry. Such a high retail mix shows the granularity and stickiness of the AUMs. Al Meezan is managing a diverse fund slate of twenty funds across nine different Shariah-compliant categories, including a voluntary pension scheme and is the only AMC in the industry that is offering commodity-based fund/VPS Plan i.e. Meezan Gold Fund and MTPF-Gold Sub Fund. Among Money Market and Income category, around ~32% of the Fund remained in top quartile during trailing 12M starting from Apr'20. While Funds falling under Equity category performed in line with industry and stock market performance.

On the financial side, the Company experienced positive growth during the period under review. During 9MFY23, the Company's topline increased by ~12% to PKR 1,320mln (SPLY: PKR 1,177mln). Moreover, the net profit during 9MFY23 increased by ~15% to PKR 571mln (SPLY: PKR 495mln). The Company's equity stood at PKR 3,469mln at end 9MFY23, comfortably exceeding the regulatory requirement.

The rating is dependent upon the Company's ability to sustain its market share and uphold strong investment processes. Any sustained downturn in fund performance and/or significant loss in market share will impact the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Al Meezan Investment Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Assessment Framework   Asset Manager Rating(Jun-22),Methodology   Rating Modifiers(Jun-22)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-22)
<b>Rating Analysts</b>	Wajeeha Asghar   wajeeha.asghar@pacra.com   +92-42-35869504



## Profile

**Structure** Al Meezan Investment Management Limited ("Al Meezan Investments" or the Company) was established in 1995 as a private limited company. Later in 2001, the Company changed its status to a public unlisted company.

**Background** The Company is financial arm of Meezan Bank Limited (AA+ rated bank) in asset management industry.

**Market Share** Currently the Company enjoys strong standing having market share of ~17.6% at the end Mar'23 whereas ~17% at end Dec'22 (Dec'21: 15.3%).

**Diversification Of Fund Mix** The Company is currently managing a diverse product slate of twenty funds in nine different Shariah Compliant categories including a voluntary pension scheme. Al Meezan Investments offers innovative products including the country's only gold tracking fund.

**Investor Concentration** The top 10 investors represent ~50.5% of total AUMs at the end Dec'22. While the average related party holdings represent ~6.4%.

## Ownership

**Ownership Structure** Meezan Bank Limited is the largest shareholder of the Company with ~65% stake, followed by Pak Kuwait Investment Company Limited (~30% shareholding). The CEO of Al Meezan, Mr. Mohammad Shoaib, holds ~4.85% stake in the Company and ~0.45% holds by the Company's employee.

**Business Acumen** Meezan Bank Limited is Pakistan's first and largest Islamic bank and is listed on PSX. Meezan Bank provides a comprehensive range of Islamic banking products and services. Pak Kuwait Investment Company Limited is Pakistan's leading Development Financial Institution.

**Financial Strength** The equity of Meezan Bank stood at PKR 112bln at end Mar'23 whereas PKR 115bln at the end Dec'22.

## Governance

**Board Structure** The Company's board is composed of ten members including the CEO. Three directors are independent and six are non-executive. Four directors represent Meezan Bank while two are representative of Pak Kuwait Investment Company Limited.

**Members' Profile** The chairman of the Company is Mr. Ariful Islam joined Meezan Bank in April 1999. The BOD members have extensive experience (25 Years on average) in the field of banking and investment management. This helps in providing useful insight and guiding management in the development of effective risk management policies and procedures.

**Board Effectiveness** The board actively provides guidance to the Company. Currently, there are four committees at the board level, Audit Committee, Risk Management Committee, Human Resource & Remuneration Committee and IT Committee to ensure smooth and effective monitoring and control.

**Transparency** The Company has an in-house internal audit department to monitor the internal controls. The department directly reports to the audit committee of the board. The external auditors of the Company, A.F. Fergusons Chartered Accountants, have provided an unqualified opinion on the Financial Statements for HYFY23.

## Management

**Organizational Structure** The Company has a well-designed organizational structure. It operates through fourteen main departments, out of which six directly report to the CEO.

**Management Team** The senior management team of the Company comprises of seasoned professionals. The CEO, Mr. Mohammad Shoaib, has around three decades of professional experience in managing investment portfolios. The CIO, Mr. Muhammad Asad, is an MBA with extensive experience of over two decades, out of which more than twenty-one years are with the Company.

**Technology Infrastructure** Al Meezan Investments has implemented Direct FN as its core business software. Investment, redemption and conversion of mutual fund units by investors are processed via software and are dealt on a timely basis.

**Control Environment** The Company has devised detailed policies for IT, operations, research, investment and risk management. It uses a dedicated software that notifies any breach in exposure limit and specified margin.

## Investment Risk Management

**Credit Risk** The investment committee evaluates credit proposals presented by the risk management department. The Company has controls in place to ensure allocation limits. Regulatory limits for Equity and Fixed Income funds have been implemented in the system, which restricts the fund manager to increase the exposure in any script greater than the assigned limit.

**Liquidity Profile** Risk management department vigilantly monitors the liquidity profile to avoid any mismatch between portfolio allocations and redemption patterns. Sufficient liquidity is maintained by investing significant portion of funds' assets in liquid investment avenues. Moreover, the Company has financing lines available to meet redemptions in a timely manner.

**Market Risk** The Company has set appropriate metrics to measure exposure to market risk factors. Excel based models are used to measure the sensitivity of the portfolio due to changes in underlying fundamentals.

## Portfolio Management

**IC Composition** The investment committee (IC) comprises the CEO, CIO, Head of Equities, Fund Manager, Equities, Fixed Income, Commodities for respective funds, Head of Risk and Head of Research.

**Effectiveness** The IC formally meets on a weekly basis and on ad-hoc basis for formulating, selecting and monitoring investment decisions.

**Investment Research And Analysis** The research department is headed by Mr. Ali Asghar, CFA, and falls under the purview of CIO. He has over 10.3 years of experience in the financial markets. The research team comprises of experienced research analysts.

## Customer Relationship

**Investor Services** The Company uses specialized software for customer relationship management. The Company provides investment services using the software, which displays key information for investors and provides the facility of conversion as well as redemption via online portal and mobile app.

**Investor Reporting** The Company publishes comprehensive fund manager reports on its website. These reports apprise the investors about the fund's performance and prevailing market conditions. The Company's web page is used as a reporting platform for dissemination of information pertaining to the Company, management, NAV history, fund performance, product characteristics and other important announcements

**Distribution And Sales Network** The Company has a strong distribution network of twenty eight distributors and twenty three branches in thirteen cities across the country. The management is focusing on enhancing its digital presence and geographical presence, going forward.

## Performance

**Asset Under Management** Currently, as of 9MFY23, the AUMs of the Company increased by ~52% to PKR 269bln (SPLY: 177bln). The AUMs as of 6MFY23 increased by ~55% to ~PKR 267bln (Dec'21: PKR ~172bln). Around 44% Funds outperformed in the end Mar'23. Meezan Rozana Amdani Fund is the top performing fund with the weightage of 33%. Currently the return of the Fund is 15.1% beating the both industry average and benchmark.

**Asset Manager** Currently as of 9MFY23, the management fee of the company increased by ~10% to PKR 1,203mln (SPLY: PKR 1,090mln) whereas operating profit also increased by ~19% to PKR 852mln (SPLY: PKR 718mln). The PAT during 9MFY23 increased by ~15% to PKR 571mln (SPLY: PKR 495mln). The Company's equity stood at PKR 3,469mln at end 9MFY23. The Company's total assets stood at PKR 4,520mln at the end 9MFY23.

Fund's Performance | Al Meezan Investment Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR ' mn)				Return   12Months Trailing Apr'22-Mar'23				
				Mar'23	Dec'22	Sep'22	Jun'22	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
1	Meezan Rozana Amdani Fund	Shariah Compliant Money Market	33.4%	90,833	91,906	76,808	72,760	15.1%	11.5%	5.7%	3.5%	9.4%
2	Meezan Daily Income Fund-WDIP	Shariah Compliant Income	30.8%	83,776	74,448	41,635	30,649	15.1%	11.6%	5.3%	3.5%	9.8%
3	Meezan Cash Fund	Shariah Compliant Money Market	8.8%	23,896	22,101	17,904	13,485	14.1%	11.5%	5.7%	2.6%	8.5%
4	Meezan Islamic Fund	Shariah Compliant Equity	6.7%	18,206	20,780	22,856	23,822	-12.4%	-11.1%	-4.9%	-1.3%	-7.5%
5	Meezan Islamic Income Fund	Shariah Compliant Income	5.4%	14,755	17,250	18,559	18,609	13.2%	11.6%	5.3%	1.5%	7.8%
6	Meezan Sovereign Fund	Shariah Compliant Income	2.6%	7,011	6,664	5,621	6,196	13.5%	11.6%	5.3%	1.9%	8.2%
7	Meezan Daily Income Fund-MMMP	Shariah Compliant Income	1.8%	4,974	4,792	-	-	-	-	-	-	-
8	Al Meezan Mutual Fund	Shariah Compliant Equity	1.2%	3,129	4,055	4,252	4,451	-11.1%	-11.1%	-4.9%	0.0%	-6.2%
9	KSE Meezan Index Fund	Shariah Compliant Index Tracker	1.0%	2,592	2,660	2,678	2,610	-6.6%	-6.6%	-4.9%	0.0%	-1.7%
10	Meezan Balanced Fund	Shariah Compliant Balanced Fund	0.8%	2,202	2,428	2,526	2,641	-0.6%	-0.6%	0.7%	0.0%	-1.2%
11	Meezan Asset Allocation Fund	Shariah Compliant Asset Allocation	0.2%	595	698	751	850	-10.3%	3.1%	-3.5%	-13.4%	-6.8%
12	Meezan Gold Fund	Shariah Compliant Commodities	0.3%	924	753	701	604	48.4%	48.4%	45.0%	0.0%	3.4%
13	Meezan Energy Fund	Shariah Compliant Equity	0.2%	577	538	410	438	-1.0%	-11.1%	-4.9%	10.2%	4.0%
14	Meezan Mahana Munafa Plan-III	Shariah Compliant Income	0.2%	577	-	-	-	-	-	-	-	-
15	Meezan Dedicated Equity Fund	Shariah Compliant Equity	0.2%	491	698	742	753	-10.7%	-11.1%	-4.9%	0.4%	-5.8%
16	Meezan Financial Planning Fund of Funds (Aggressive)	Shariah Compliant Fund of Funds	0.0%	82	233	284	74	-6.7%	-1.2%	-2.3%	-5.5%	-4.4%
17	Meezan Financial Planning Fund of Funds (Conservative)	Shariah Compliant Fund of Funds	0.0%	69	72	120	69	6.1%	-1.2%	3.0%	7.4%	3.1%
18	Meezan Financial Planning Fund of Funds (MAAP I)	Shariah Compliant Fund of Funds	0.0%	69	73	75	61	-6.2%	-1.2%	-2.9%	-5.0%	-3.4%
19	Meezan Financial Planning Fund of Funds (Moderate)	Shariah Compliant Fund of Funds	0.0%	68	71	84	100	-0.5%	-1.2%	0.3%	0.7%	-0.8%
20	Meezan Strategic Allocation Fund (MSAP I)	Shariah Compliant Fund of Funds	0.1%	190	229	245	383	-6.2%	-1.2%	-2.9%	-5.0%	-3.4%
21	Meezan Strategic Allocation Fund (MSAP II)	Shariah Compliant Fund of Funds	0.1%	168	180	191	322	-6.3%	-1.2%	-2.9%	-5.1%	-3.4%
22	Meezan Strategic Allocation Fund (MSAP III)	Shariah Compliant Fund of Funds	0.1%	154	185	193	214	-6.0%	-1.2%	-2.8%	-4.8%	-3.2%
23	Meezan Strategic Allocation Fund (MSAP IV)	Shariah Compliant Fund of Funds	0.0%	80	83	91	105	-6.2%	-1.2%	-2.6%	-4.9%	-3.5%
24	Meezan Strategic Allocation Fund (MSAP V)	Shariah Compliant Fund of Funds	0.0%	33	35	39	49	-6.3%	-1.2%	-2.9%	-5.1%	-3.4%
25	Meezan Strategic Allocation Fund (Meezan Capital Preservation Plan III)	Shariah Compliant Fund of Funds - CPPI	0.1%	160	165	197	196	9.5%	3.9%	3.8%	5.6%	5.7%
26	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan IV)	Shariah Compliant Fund of Funds - CPPI	0.1%	248	550	610	623	4.9%	3.9%	1.8%	1.0%	3.1%
27	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan V)	Shariah Compliant Fund of Funds - CPPI	0.0%	45	59	62	63	9.1%	3.9%	3.8%	5.2%	5.3%
28	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VI)	Shariah Compliant Fund of Funds - CPPI	0.0%	54	52	52	65	14.9%	3.9%	5.7%	11.0%	9.2%
29	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.0%	35	34	35	40	14.0%	3.9%	5.4%	10.1%	8.6%
30	Meezan Strategic Allocation Fund III (Meezan Capital Preservation Plan IX)	Shariah Compliant Fund of Funds - CPPI	0.1%	298	320	351	427	8.0%	3.9%	3.4%	4.2%	4.7%
31	Meezan Pakistan ETF	Shariah Compliant - ETF	0.0%	71	79	88	94	-8.0%		-7.5%	-8.0%	-0.5%
32	Meezan Tahaffuz Pension Fund	VPS	5.6%	15,217	14,844	14,077	13,776				-	-
Sum/Average:			100.0%	271,579	269,616	216,559	196,465				-	-

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### Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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