



## The Pakistan Credit Rating Agency Limited

# Rating Report

## Al Meezan Investment Management Limited

### Report Contents

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### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
21-Jun-2024	AM1	-	Stable	Maintain	-
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. The Company has segregated its Compliance and Audit functions to strengthen its control environment. The increased AUM size, the launch of new plans, sponsor support, retail contribution, customer servicing and support, and digital excellence bode well for the assigned rating. Since FY23, the AMC has grown significantly by ~61% in terms of AUMs, while ~55.6% is the contribution from the Meezan Rozana Amdani Fund and Meezan Daily Income Fund under Shariah Compliant Income and Money Market category at the period ended Mar'24. The Company's market share has experienced an increase of ~7% as the market grew at a faster pace of ~49% since FY23. Lately the CEO has resigned and the new appointment has to be made. The sponsor -- Meezan Bank -- has been a key support always and that has been a strong comfort against the ensuing risks. AUM inflows over the period reached ~30% of the total current AUMs enabled by the Bank. However, the Company is catching up with its market share at full tilt and currently standing at 19.6% (FY23: 18.2%). The AMC has penetrated well in the retail market ~70% 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. 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 6MFY24, the Company's topline increased by ~87% to PKR 1,552mln (SPLY: PKR 829mln). Moreover, the net profit during 6MFY24 increased by 2.5 times to PKR 1,210mln (SPLY: PKR 343mln) on the back of ~75% rise in management fee and 26 times increase in share of profit from associates. The Company's equity stood at PKR 4,427mln at end 6MFY24, 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-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-23)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@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 (AAA rated bank) in asset management industry.

**Market Share** Currently, the Company enjoys strong standing having a market share of ~19.6% at the end of Mar'24 whereas ~19% at the end Dec'23 (Dec'22: 17%).

**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 ~12% of total AUMs at the end Mar'24. While the average related party holdings represent ~2%.

## 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).

**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 195bln at end Mar'24 whereas PKR 185bln at the end Dec'23.

## 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. Irfan Siddiqui joined Meezan Bank in 1997. 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 HYFY24.

## 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 resigned from his designation on Feb 29, 2024. In his replacement, the CIO, Mr. Muhammad Asad holds the chair. He is an MBA with extensive experience of over two decades, out of which more than twenty-two 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 CEO. He has over 13 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 five 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** As of 9MFY24, the AUMs of the Company increased by ~77% to PKR 477bln (SPLY: 270bln). Majority of the Funds outperformed at the end of 9MFY24. Meezan Rozana Amdani Fund is the top performing fund with the weightage of 24%. Currently the return of the Fund is 21.3% beating the both industry average and benchmark. The AUMs of the company crossed milestone of 500bln in May'24 and currently stood at ~538bln as of Jun'24.

**Asset Manager** As of 6MFY24, the management fee of the company increased by ~75% to PKR 1,341mln (SPLY: PKR 765mln). The PAT during 6MFY24 increased by 2.5 times to PKR 1,210mln on the back of increase in share of profit from associates of PKR 1,025mln (SPLY: PKR 343mln). The Company's equity stood at PKR 4,427mln at the end of 6MFY24. (FY23: PKR 3,718mln). The Company's total assets stood at PKR 5,999mln at the end of 6MFY24 (FY23: PKR 4,877mln).

Fund's Performance   Al Meezan Investment Management Limited												
Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Return   12 Months Trailing   Apr'23-Mar'24				
				Mar'24	Dec'23	Jun'23	Mar'23	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
1	Meezan Rozana Amdani Fund	Shariah Compliant Money Market	24.1%	114,830	99,672	95,337	90,190	21.3%	18.7%	9.2%	2.6%	12.1%
2	Meezan Daily Income Fund (MDIP-I)	Shariah Compliant Income	31.5%	150,162	116,379	90,847	83,566	21.6%	18.0%	9.0%	3.6%	12.6%
3	Meezan Cash Fund	Shariah Compliant Money Market	12.7%	60,345	30,595	25,882	23,896	21.0%	18.7%	8.8%	2.3%	12.2%
4	Meezan Islamic Fund	Shariah Compliant Equity	4.3%	20,612	20,476	17,034	18,062	58.7%	53.3%	62.1%	5.4%	-3.4%
5	Meezan Islamic Income Fund	Shariah Compliant Income	3.1%	14,926	11,673	11,474	14,649	20.3%	18.0%	9.0%	2.3%	11.3%
6	Meezan Sovereign Fund	Shariah Compliant Income	10.8%	51,502	76,434	8,133	7,011	21.8%	18.0%	15.7%	3.7%	6.0%
7	Meezan Mahana Munafa Plan (MDIF)	Shariah Compliant Income	2.1%	9,783	7,922	5,543	4,974	19.7%	18.0%	9.0%	1.6%	10.6%
8	Al Meezan Mutual Fund	Shariah Compliant Equity	1.0%	4,911	4,299	3,082	2,991	64.5%	53.3%	62.1%	11.2%	2.4%
9	KSE Meezan Index Fund	Shariah Compliant Index Tracker	0.7%	3,550	3,307	2,562	2,573	58.8%	58.8%	62.1%	0.0%	-3.3%
10	Meezan Balanced Fund	Shariah Compliant Balanced Fund	0.5%	2,160	1,726	1,689	2,202	37.1%	37.1%	31.1%	0.0%	6.0%
11	Meezan Asset Allocation Fund	Shariah Compliant Asset Allocation	0.1%	307	351	454	595	51.4%	32.9%	51.2%	18.5%	0.2%
12	Meezan Gold Fund	Shariah Compliant Commodities	0.3%	1,601	1,409	1,346	924	12.0%	6.0%	11.4%	6.0%	0.6%
13	Meezan Energy Fund	Shariah Compliant Equity	0.2%	1,184	1,012	452	577	65.8%	53.3%	62.1%	12.5%	3.7%
14	Meezan Financial Planning Fund of Funds (Aggressive)	Shariah Compliant Fund of Funds	0.0%	74	71	64	82	45.3%	17.1%	47.9%	28.2%	-2.6%
15	Meezan Financial Planning Fund of Funds (Conservative)	Shariah Compliant Fund of Funds	0.0%	55	53	59	69	29.6%	17.1%	25.1%	12.5%	4.5%
16	Meezan Financial Planning Fund of Funds (MAAP I)	Shariah Compliant Fund of Funds	0.0%	87	89	71	69	44.0%	17.1%	36.9%	26.9%	7.0%
17	Meezan Financial Planning Fund of Funds (Moderate)	Shariah Compliant Fund of Funds	0.0%	70	76	62	68	39.1%	17.1%	37.2%	22.0%	1.9%
18	Meezan Financial Planning Fund of Funds (Very Conservative Allocation Plan) (Launch date: Aug'23)	Shariah Compliant Fund of Funds	0.0%	0.5	0.3							
19	Meezan Strategic Allocation Fund (MSAP I)	Shariah Compliant Fund of Funds	0.0%	135	146	188	190	42.8%	17.1%	42.2%	25.7%	0.6%
20	Meezan Strategic Allocation Fund (MSAP II)	Shariah Compliant Fund of Funds	0.0%	77	75	160	168	43.1%	17.1%	41.9%	26.0%	1.2%
21	Meezan Strategic Allocation Fund (MSAP III)	Shariah Compliant Fund of Funds	0.0%	125	126	131	154	42.7%	17.1%	42.4%	25.6%	0.4%
22	Meezan Strategic Allocation Fund (MSAP IV)	Shariah Compliant Fund of Funds	0.0%	63	62	77	80	42.4%	17.1%	36.0%	25.3%	6.4%
23	Meezan Strategic Allocation Fund (MSAP V)	Shariah Compliant Fund of Funds	0.0%	39	38	34	33	41.3%	17.1%	34.4%	24.2%	7.0%
24	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan IV)	Shariah Compliant Fund of Funds - CPPI	0.1%	282	272	237	248	31.1%	6.3%	25.9%	24.8%	5.1%
25	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.0%	28	27	25	35	22.5%	6.3%	15.8%	16.2%	6.7%
26	Meezan Strategic Allocation Fund III (Meezan Capital Preservation Plan IX)	Shariah Compliant Fund of Funds - CPPI	0.1%	245	253	238	298	31.4%	6.3%	25.9%	25.1%	5.5%
27	Meezan Sehl Account Plan (MDIF) (Launch date: Jun'23)	Shariah Compliant Income	0.0%	79	62	4						
28	Meezan Munafa Plan-I (MDIF) (Launch date: Aug'23)	Shariah Compliant Income	0.4%	2,133	4,627							
29	Meezan Paaidaar Munafa Plan IV (Launch date: Apr'23)	Shariah Compliant Income	1.0%	4,897								
30	Meezan Paaidaar Munafa Plan V (Launch date: Jan'24)	Shariah Compliant Income	1.8%	8,357								
31	Meezan Paaidaar Munafa Plan VI (Launch date: May'23)	Shariah Compliant Fixed Rate / Return	0.2%	1,043	1,013	989						
32	Meezan Paaidaar Munafa Plan VII (Launch date: Jul'23)	Shariah Compliant Fixed Rate / Return	0.2%	853	817							
33	Meezan Dedicated Equity Fund	Equity	0.0%	0.4								
34	Meezan Pakistan ETF	Shariah Compliant - ETF	0.0%	78	75	69	71					
35	Meezan Tahaffuz Pension Fund	VPS	4.6%	22,056	20,364	17,157	15,217				-	-
Sum/Average:			100.0%	476,650	403,501	283,400	269,828				-	-

### 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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