



## AL MEEZAN MUTUAL FUND (AMMF)

### MUTUAL FUND RATING (MAY 2008)

**NORMAL:** ★★★★★ (5-STAR)

**LONG TERM:** ★★★★★ (4-STAR)

**FUND:** Al Meezan Mutual Fund

**FUND CATEGORY:** Islamic Equity Fund

**FUND TYPE:** Closed-end

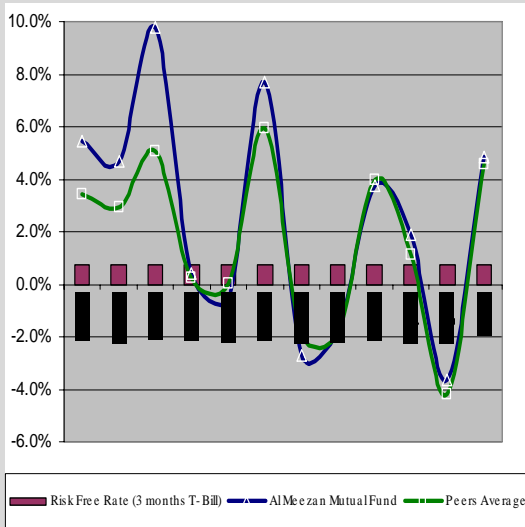
**LAUNCH DATE:** September 1996

**ASSET MANAGER:** Al Meezan Investment Management Limited

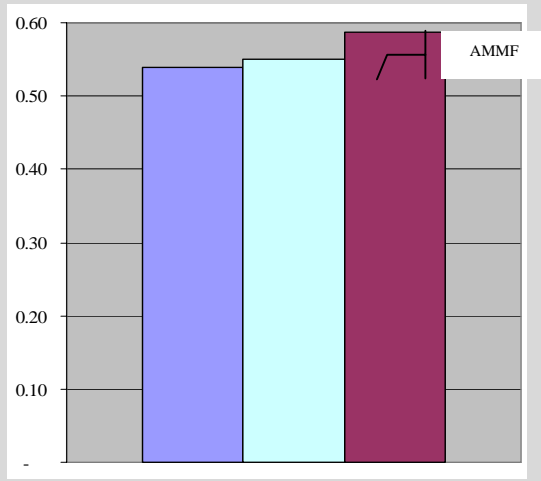
**CUSTODIAN:** Central Depository Company

**SHARIAH ADVISOR:** Meezan Bank Limited

### ABSOLUTE RETURN – MONTHLY



### SHARPE RATIO VS PEERS (FY-07)



### RATING

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis but also the risk – measured by variability in return over monthly periods. The rating of a fund is comparable only to ratings of other funds in the same category. An Islamic Equity Fund means a fund that invests in *shariah* compliant instruments only, and maintains around 50% of its net assets in equities at all time.

PACRA assigns two types of star ratings, differentiated on the basis of period of review; (i) normal star ratings based on performance during the trailing 12 months, and (ii) long-term star ratings based on performance during the trailing 36 months period.

AMMF has been assigned 5-star rating (normal) based on the performance during FY07. Meanwhile, a long-term rating of 4-star has been assigned to the fund based on the performance during FY05 to FY07.

### ASSET MANAGER

Al Meezan Investment Management Limited (AMIM), registered with SECP as an NBFC, was incorporated in February 1995. AMIM is a subsidiary (65% shareholding) of Meezan Bank Limited (MBL), the first scheduled Islamic commercial bank in the country. The main sponsors of the bank are some leading financial institutions based in Pakistan, Kuwait, Bahrain and Saudi Arabia including Pakistan Kuwait Investment Company (Pvt.) Limited (PKIC), which also owns 30% shareholding in AMIM.

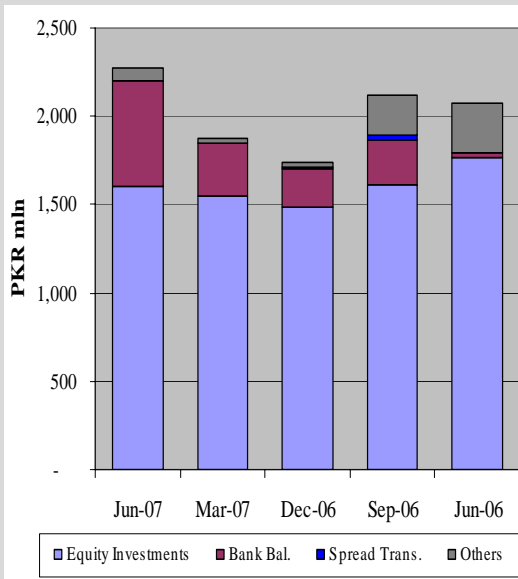
The Chief Executive of AMIM, Mr. Mohammad Shoaib, is a CFA Charter holder and also has Masters degree in Business Administration with over 17 years of experience in the capital markets. The Head of Investments is an MBA with extensive experience of more than 10 years in the financial and capital markets of the country.

AMIM is mainly catering to investment objectives of client base having preference for Islamic mode of investment. The company, inline with the initiative taken by some leading players in the conventional sector, is focusing on launching specialized products. In this regard, Meezan Tahaffuz Pension Fund has already been launched during the year, and a *shariah* compliant capital protected fund, in collaboration with MBL, is in the offing. Apart from the pension scheme, the company is currently managing four funds with assets under management aggregating to around PKR 18bln at end-Feb 2008. AMIM, in addition to AAMF, manages another closed-end fund Meezan Balanced Fund and two open-end funds Meezan Islamic Fund and Meezan Islamic Income Fund.

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**ASSET ALLOCATION**



**TOP TEN HOLDINGS (30-June-07)**

Entity	Holding as a %age of total portfolio
Packages Limited	11.7%
Oil & Gas Development Co. Limited	10.6%
Engro Chemical Pakistan Limited	10.3%
Pakistan Petroleum Limited	9.2%
Fauji Fertilizer Co. Limited	9.1%
Indust Motor Company Limited	6.2%
Fauji Fertilizer Bin Qasim Limited	6.0%
Nishat Mills Limited	5.9%
Pak Suzuki Motor Company Limited	5.7%
Pakistan Oilfields Limited	4.2%
Others	21.0%
<b>Total</b>	<b>100.0%</b>

**Total Equity Portfolio (PKR mln)** 1,552  
**Equity Portfolio / Total Assets** 68.2%

**CERTIFICATE HOLDING PATTERN (30-June-07)**

Category	%
Individuals	24.0%
Corporates	8.8%
Financial Institutions	7.7%
Associates	50.6%
Others	8.8%
<b>Total</b>	<b>100.0%</b>

**ANALYST**

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**PERFORMANCE**

The Fund's earnings mainly emanated from capital gains on equity securities, which continued to dominate its asset mix during FY07. Although the proportion of unrealised gains in the income mix increased as compared with realised gains, these arose mainly on fundamentally strong and liquid stocks. Meanwhile, dividend income, though declined marginally YoY basis, constituted a fair portion of the Fund's total income. Owing to enhancement in bank deposits towards the end of FY07, the contribution of return thereon also increased, augmenting the income base of the Fund. Meanwhile, the average funds deployed in deferred sale mechanism, a *shariah* compliant approved equivalent of ready-future spread transactions, during FY07 were at a thin level.

While AMMF depicted higher volatility, its performance in terms of absolute monthly returns was superior among peers. This resulted in better sharpe ratio, as portrayed by the graph. Meanwhile, over a long time horizon of 3 years (FY05-07), the Fund achieved a 4-star performance rating.

**INVESTMENT METHODOLOGY**

The primary objective of AMMF is to provide the maximum total return to the certificate holders from investment in equity securities for the given level of risk. The Fund maintains at least 60%-80% of its net assets in equities and the remaining 20%-40% are invested in debt and money markets, depending on market conditions and interest rate scenario. The Fund endeavours to ensure shariah compliance while selecting investments.

The Investment Committee (IC), comprising Chief Executive, Head of Investments, Head of Research and Product Development, the Fund Manager and research analysts, is responsible for investment decisions. The IC usually meets daily in which analysts give an overview of sectors and present recommendations with respect to their valuation of the industry and specific companies. Based on these recommendations, IC sets the strategy that includes the scrips to be targeted and broader execution limits.

**RATING SCALE**

- ★★★★★ Superior Performance
- ★★★★ Good Performance
- ★★★ Average Performance
- ★★ Weak Performance
- ★ Poor Performance