



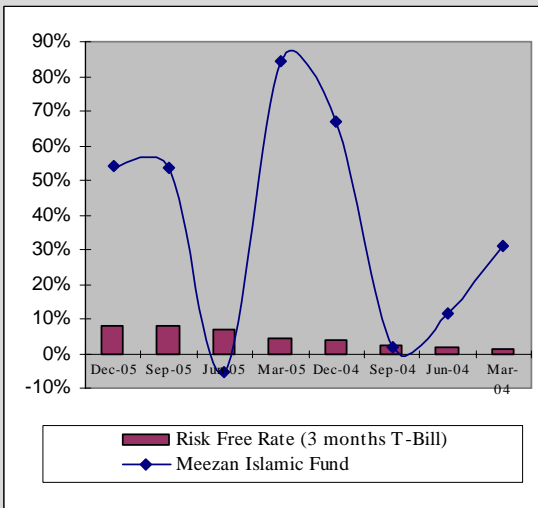
# MEEZAN ISLAMIC FUND (MIF)

## MUTUAL FUND RATING (APRIL 2006)

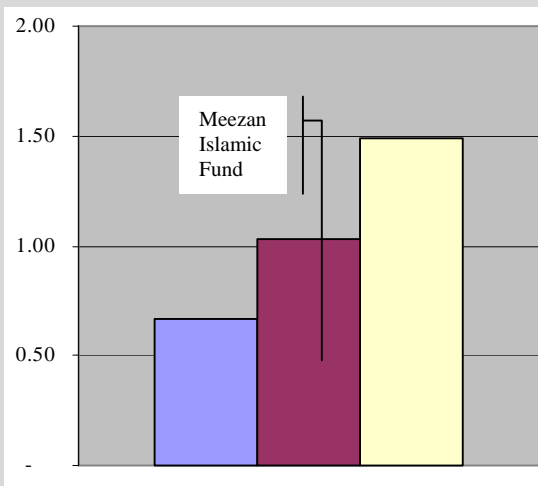


|                       |   |
|-----------------------|---|
| <b>FUND:</b>          | Meezan Islamic Fund                     |
| <b>FUND CATEGORY:</b> | Islamic Fund                            |
| <b>LAUNCH DATE:</b>   | October 2003                            |
| <b>ASSET MANAGER:</b> | Al Meezan Investment Management Limited |

## SIMPLE ANNUALISED RETURN:



## SHARPE RATIO VS PEERS (31-Dec-05):



## RATING

MIF has been assigned a 5-Star rating, which reflects a superior performance relative to its peers. The rating is a composite measure of two factors namely a) returns, and b) risk associated with the returns measured by Sharpe Ratio. For computing return and risk, the performance of the fund during 8 trailing quarterly periods ended on December 31, 2005 has been considered.

## PROFILE

MIF, an open-end scheme, was established under a Trust Deed executed in June 2003 between Al Meezan Investment Management Limited as management company and, Central Depository Company of Pakistan Limited (CDC) as trustee.

## ASSET MANAGER

Incorporated in February 1995 and registered with the Securities & Exchange Commission (SECP) as an NBFC, Al Meezan Investment Management Limited (AMIM) is allowed to operate as Investment Advisor for closed-end funds, Asset Management Company for management of open-end funds and also has Investment Finance Services license. AMIM is a subsidiary (65% shareholding) of Meezan Bank Limited (MBL), the first scheduled Islamic commercial bank in the country, which operates strictly under the principles of Islamic Shariah. 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. PKIC is a very well managed and a financially strong entity carrying a long-term credit rating of 'AAA' by PACRA.

The Chief Executive of AMIM, Mr. Mohammad Shoaib, is a CFA Charter holder and also has Masters degree in Business Administration with over 16 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 sector of the country.

The company is catering to different investment objectives of a diverse client base. Currently, the company is managing three funds with assets under management of more than PKR 7bln. AMIM, in addition to MIF, manages two closed-end funds namely Al Meezan Mutual Fund Limited and Meezan Balanced Fund.

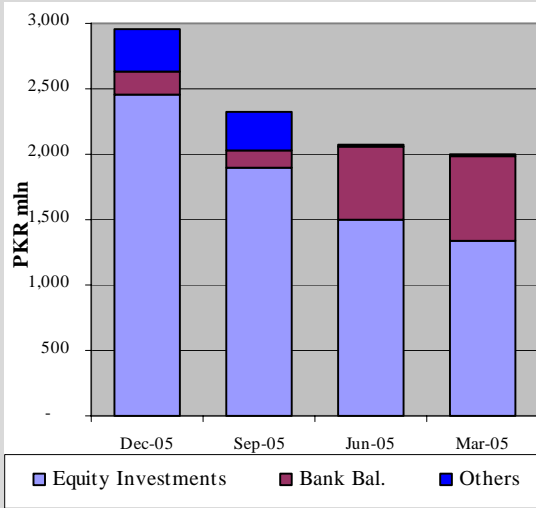
## PERFORMANCE

The Fund's earnings have pre-dominantly been a function of capital gains and dividend income on shariah compliant equity securities. The Fund is invested heavily in these equities, constituting more than three-fourth of total assets. Surplus funds are placed under deferred sale mechanism, which is shariah compliant approved equivalent of ready-future transactions and is exposed to low risk but offering attractive returns. A portion of funds is also placed in shariah compliant bank deposits providing flexibility for short-term trading opportunities. Through active management of investments in the shape of timely portfolio rebalancing among different sectors and asset classes, MIF has been able to achieve a superior performance. MIF follows a policy of value investing in which major emphasis is placed on the company's growth prospects and / or dividend yield while investment in liquid stocks provides opportunity for short-term trading gains. The effective implementation of this policy has helped the Fund in better withstanding the short-term volatility in the market thereby ensuring higher returns.

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**ASSET ALLOCATION:**



**TOP TEN HOLDINGS (31-Dec-05):**

| Entity                            | Holding as a %age of total portfolio |
|-----------------------------------|--------------------------------------|
| Pakistan Oilfields Limited        | 12.2%                                |
| Oil & Gas Development Co. Limited | 11.9%                                |
| Al-Meezan Mutual Fund Limited     | 9.5%                                 |
| Fauji Fertilizer Co. Limited      | 6.8%                                 |
| National Refinery Limited         | 5.8%                                 |
| Engro Chemical (Pakistan) Limited | 5.5%                                 |
| Pakistan State Oil Co. Limited    | 5.1%                                 |
| Pakistan Petroleum Limited        | 5.1%                                 |
| CallMate Telips Telecom Limited   | 4.7%                                 |
| Packages Limited                  | 4.4%                                 |
| Others                            | 29.0%                                |
|                                   | 100.0%                               |

**Total Equity Portfolio (PKR mln)** 2,450  
**Equity Portfolio / Total Assets** 82.9%

**UNIT HOLDING PATTERN (31-Dec-05):**

| Unit Holders' Category | %    |
|------------------------|------|
| Individuals            | 35.2 |
| Corporates             | 4.0  |
| Financial Institutions | 38.2 |
| Retirement Funds       | 22.4 |
| Welfare Organizations  | 0.1  |
| Others                 | 0.1  |

**INVESTMENT METHODOLOGY**

The primary objective of MIF is to provide the maximum total return to the unitholders from investment in shariah compliant investments for the given level of risk. The Fund, in addition to equities, deferred sale transactions and riba-free bank deposits, is also permitted to place funds in TFCs, Musharika, Morabaha, and other asset backed securities allowed by SECP and confirmed as shariah compliant by MIF's shariah advisor, MBL.

The Investment Committee (IC), comprising Chief Executive and Head of Investments (HoI) as members and research analysts as participants, is responsible for macro level planning including asset allocation and overall investment policy. 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 executions limits.

**RESEARCH**

The research department is equipped with the latest analytical tools and up-to-date market information so as to play a proactive role in portfolio management and to assist the investment committee in making prudent investment and trading decisions. The research team, headed by HoI, consists of five sector research analysts.

As the Fund is invested heavily in the stock market, research is focused on equity securities considered shariah compliant. The research team is responsible for carrying out sectoral and individual stock analysis including forecasts, economic indicators affecting the stock market, and shariah screening of investments. Based on this, valuation of stock is done by using various valuation models, which includes dividend discount model, discounted cash flows, EV/EBITDA. A number of daily / periodic reports are also maintained in this regard. The view of other market participants, including brokers, analysts and fund managers is also taken into account during the selection process.

**RISK MANAGEMENT & ASSET COMPOSITION**

Funds are allocated among various asset classes based on the attractiveness of that particular asset class. The allocation among these is dependent on time horizon for investment and cash flow requirements of the portfolio. The market risk is managed by monitoring exposure to marketable securities, following the internal risk management policies and regulations laid down in NBFC Rules. The risk is also mitigated by investing in consistently dividend paying companies / having growth prospects and / or which are actively traded.

The Fund maintains adequate liquidity in the form of deferred sale transactions and bank deposits. MBL, subject to the approval of executive committee, is also prepared to extend funding facility to the Fund. These options provide the Fund adequate provision to meet unforeseen redemption requests.

**ANALYST**

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**RATING SCALE**

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