

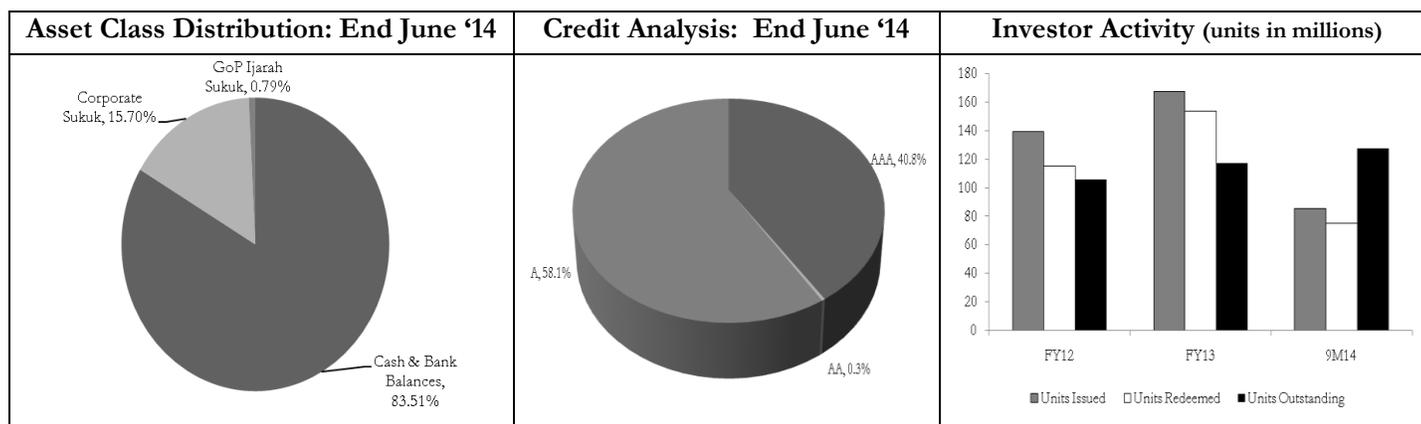
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**Investment Objective**

To provide investors with an opportunity to earn higher income over the medium to long term by investing in a diversified portfolio comprising Shari'ah compliant money market and debt instruments.

ABL Islamic Income Fund		
Rating Category	Latest	Previous
Fund Stability Rating	<b>A(f)</b> Oct 16, '14	<b>A+(f)</b> Jan 17, '13
Management Company	ABL Asset Management Company Limited	
Chief Executive	Mr. Farid Ahmed Khan, CFA	
Fund Manager	Mr. Kamran Aziz, CFA	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	1.5%	
Management Fee	1% pa	
Benchmark	Average 6 month deposit rate of 3 Islamic banks	



ABL Islamic Income Fund (ABL-IIF) is governed by a well defined investment policy which has established limits for each of the approved investment avenues, with all exposures subject to Shari'ah screening criteria. Since last review, credit risk appetite of the fund has been enhanced whereby the fund can now assume greater exposure in counterparties rated 'A'. As per the policy limits detailed in the table below, almost 45% of assets may be deployed in A rated banks.

**Table 1: Operational Investment Policy**

Asset Class	Minimum Entity Rating	Exposure Limit
Shari'ah compliant Govt. securities	-	0-75%
Shari'ah compliant govt. securities of less than 90 days maturity and bank deposits with Islamic banks	In case of cash in banks, A and A+ AA- and above	0-45% 0-75%
Sukuk issued by Government entities and private sector corporates	A+	0-50%
Shari'ah Compliant non-traded securities* with less than 6 months maturity	A+ AA- and above	0-25% 0-75%
Shari'ah Compliant non-traded securities* with greater than 6 months maturity	AA-	0-15%
Authorized investments in overseas markets	A+	0-30%; subject to a cap of USD 15m

## JCR-VIS Credit Rating Company Limited

Affiliate of Japan Credit Rating Agency, Ltd.

*\*including but not limited to bank deposits and placement of funds under Modaraba, Murabaha, Musharaka, Istisna and Ijarah arrangements with banks, NBFCs, Modarabas and DFIs*

At end June 2014, fund size was reported at Rs. 1.3b. Almost 58% of assets were parked as cash and cash equivalents, as per month end averages, while at year-end, as much as 83.5% of assets were deployed in this avenue. On an average, around 29% of assets remained deployed in government instruments including WAPDA Sukuk, during FY14. From March 2014, the fund started building exposure in corporate Sukuk, which represented 16% of assets at end June 2014, comprising instruments issued by K-Electric Limited. Over time, the credit risk associated with the fund's assets has increased slightly as almost one-third of assets, on month end average basis, remained deployed in assets rated 'A'.

other Islamic income funds, ABL IIF has been able to generate competitive returns. As such, the fund should be able to depict stability in returns unless there is a change in market benchmark rates. Moreover, the volatility in prices of GoP Ijarah Sukuk may also reflect in the NAV of the fund, if the proportion of such instruments held by the fund increases<sup>JCR-VIS</sup>

**Table 2: Asset allocation (as a % of total assets)**

	Average FY14	End-Jun'14	End-Jun'13
Cash & Bank Balances	58%	84%	35%
Term Deposits	7%	-	-
Corporate Sukuk	5%	16%	13%
GoP Ijarah Sukuk (including government guaranteed instruments)	29%	<1%	50%

Target duration of ABL-IIF has been revised from 180 days to 90 days. Given that return on Shari'ah compliant instruments available in the market is pegged to market benchmark rates, actual duration is expected to remain in line with policy limit. Weighted average time to maturity (WAM) of net assets was reported at 107 (FY13: 310) days at end-FY14.

Liquidity profile of the fund is considered sound, with top 10 investors holding 32% of outstanding units at end-FY14. There were a total of 954 (FY13: 823) investors in the fund at end-FY14. Proportion of investment by retail clients remained unchanged at 73%.

Performance of the fund is benchmarked against average of six month deposit rates offered by three Islamic banks. Actual return has remained higher than benchmark. With about one-third assets deployed in avenues other than bank deposits, the fund may continue to out-perform the benchmark. In relation to

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### Rating History

Rating Type	Rating Date	Medium to Long Term	Outlook	Rating Action
Fund Stability	10/16/2014	A(f)		Downgrade
Fund Stability	1/17/2013	A+(f)		Reaffirmed
Fund Stability	1/10/2012	A+(f)		Reaffirmed
Fund Stability	10/27/2011		Rating Watch - Developing	Rating Watch- Developing
Fund Stability	11/25/2010	AA(f)		Final
Fund Stability	7/29/2010	AA(f)		Preliminary