



Rating Action

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PACRA Maintains Stability Rating of MCB Islamic Income Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of MCB Islamic Income Fund (MCB-IIF), an open-end Shariah compliant income fund, at 'AA- (f)' (Double A Minus; fund rating). The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The investment objective of the fund is to generate superior risk adjusted returns by investing in short, medium and long-term Shariah compliant fixed income instruments.

The rating incorporates the fund's strong credit quality and sound liquidity profile emanating from the fund's policy to invest only in good quality Shariah compliant instruments. At end-sept16, 47% of the fund's net assets were invested with GoP Ijarah sukuks, whilst 42% were invested with banks rated 'A+' and above. The remaining assets of the fund were invested in good quality corporate sukuks having credit rating of 'AA-'. Fund's whole exposure with 'A+' and above rating shows the strong credit quality of the portfolio. Fund increased its exposure to interest rate volatility with the average portfolio duration of 490 days over the last 4 quarters from Sept-15 to Jun-16. However, the fund duration has come down in recent months (Sep16- 299 days). The fund has well diversified unit holding pattern, with top10 investors representing 32% of the fund size.

Going forward, the fund intends to maintain its exposure to government securities (above 40%) with rest of the fund's assets invested in Shariah compliant instruments rated A+ and above. Material changes in the fund's asset allocation strategy, which could negatively impact the fund's credit quality and exposure to interest rate risk, remains critical for the rating.

About the Management Company:

MCB-Arif Habib Savings and Investments Limited (MCBAH) is a subsidiary of MCB Bank Limited (MCB). MCB holds majority stake (51%) in the company, followed by Arif Habib Corporation Limited (30%). The company is managing fourteen open ended funds along with two pension schemes with AUMs of PKR 44bln at end-Nov16. MCB, one of the largest banks in Pakistan in terms of asset size and branch network, has a very strong financial position, evidenced by a long-term entity rating of AAA by PACRA. Arif Habib Corporation is the holding company for Arif Habib Group with interests in the financial and industrial sectors.

The CEO, Mr. Saqib Saleem, FCA, has extensive experience of the mutual fund industry. The Fund Manager, Syed Mohammad Usama Iqbal, is fund manager of fixed income funds at MCBAH.

Applicable Criteria and Related Research

- Mutual Funds | Oct-16
- Fund Stability Rating Methodology

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