



20 YEARS OF STRENGTHENING RELATIONSHIPS



Al Meezan
Investment Management Limited
A Subsidiary of Meezan Bank



Mohammad Shoab, CFA
CEO, Al Meezan Investments

Al Meezan Investment Management Limited

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The year 2015 will always be remembered as a year in which Al Meezan has completed two decades of its journey on serving investment needs of investors. This journey has been truly rewarding and marked with many milestones. We owe all of this, firstly, to the blessings of Allah and then to our investors' continuous support and patronage, which has been the driving force during this entire time.

Al Meezan Investment Management Limited is a subsidiary of Meezan Bank Limited, the name that has pioneered Islamic Banking in Pakistan and is also the largest Islamic Bank in the

country. Pak-Kuwait Investment Company, a joint venture between the Government of Pakistan and the Government of Kuwait, is also a group company.

Al Meezan is one of the leading and fastest growing asset management companies in Pakistan. Al Meezan with AM2+ Management Quality Rating (denoting high management quality and a stable outlook), is the largest private sector asset management company in Pakistan with Assets Under Management of over Rs. 68 billion (as on November 30, 2015).

It has one of the longest track

records in the private sector in the area of investment management in Pakistan and has emerged as one of Pakistan's leading investment solution providers in a Shariah compliant manner. Al Meezan has been recognized time and again for its consistency in performance, outshining its competitors in the domestic and global Islamic fund markets.

Al Meezan has recorded phenomenal growth over the last five years with its Assets Under Management (AUMs) growing from PKR 17 billion in January 2010, to about PKR 68 billion on November 30, 2015, reflecting an impressive 283% growth in AUMs.

We offer one of the broadest ranges of investment solutions to help investors meet their financial goals. In addition to traditional equity, fixed income, and money market funds, we also manage a diversified portfolio of pension fund, index tracker, gold, capital preservation and fund of funds schemes. We are dedicated to serving both the investment and retirement needs of investors. Al Meezan is presently managing a full suite of funds and administrative plans under its umbrella to cater to the varying investment needs and unique circumstances of its investors.

We have our presence in the

leading cities of Pakistan and are proud of an extensive penetration across the country through MBL's network of over 500 branches and SCB Sadiq branches.

Al Meezan also boasts the largest penetration among retail investors in the country with a total investor base of over 37,000 investors. It is perhaps one of the few institutions in the country which has helped investors achieve their investment objectives in a truly Shariah compliant manner. Al Meezan is also the manager of Pakistan's largest equity fund (Meezan Islamic Fund) and the largest pension fund (Meezan Tahaffuz Pension

Fund) in the private sector, with Assets Under Management of Rs 26.6 billion and about Rs. 4.8 billion as on November 30, 2015, respectively.

We are hopeful that your trust and confidence will enable us to continue this journey with full enthusiasm. We will, Insha'Allah, continue to work diligently to meet the demands of our investors and work towards our vision of MAKING SHARIAH COMPLIANT INVESTING THE FIRST CHOICE OF INVESTORS.



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Al Meezan Investment Management Limited
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Pure. Profit.

The largest and fastest growing Asset Management Company in Pakistan's private sector on completing twenty years of business

We are proud of the sterling track record, outstanding growth and professional management skills exhibited by our subsidiary over two decades that stands them apart from other Asset Management Companies in Pakistan.

Meezan Bank and Al Meezan Investment Management - working together to bring Islamic financial solutions closer to you, every day.



Meezan Bank
The Premier Islamic Bank

ARGUS

EQUITY MARKET A Paramount Choice for Long-Term Investors

Equity markets are prone to experiencing volatility in the short-run since they are dependent on a mesh of variants ranging from the country's economic fundamentals and political stability to corporate risk factors, global economics and foreigners' investment activity in the local bourse.

Over the long-run however, equity market investments often outrun the returns of other asset classes. This observation is validated with the following comparison:

Investment Avenues							
	Equity KSE-100	Gold	Defense Saving Certificate	10 Year Govt. Bonds	Inflation	6-Month T-Bill	Bank Deposits
FY06	34%	41%	9%	9%	8%	9%	3%
FY07	38%	5%	10%	10%	8%	9%	4%
FY08	-11%	42%	10%	11%	12%	10%	8%
FY09	-42%	0%	12%	14%	21%	13%	6%
FY10	36%	34%	12%	12%	12.60%	12%	6%
FY11	29%	21%	13%	14%	13.90%	13%	6%
FY12	10%	6%	12%	13%	11%	12%	5%
FY13	52%	-23%	12%	12%	7.40%	10%	7%
FY14	41%	8%	12%	12%	8.60%	10%	7%
FY15	16%	-12%	11%	11%	4.50%	9%	7%
CAGR	17%	10%	11%	12%	11%	11%	6%

As evident in the table, over the last decade, equities have provided the highest return of 17% on a Compound Annual Growth Rate (CAGR) basis in comparison to gold and other fixed income avenues.

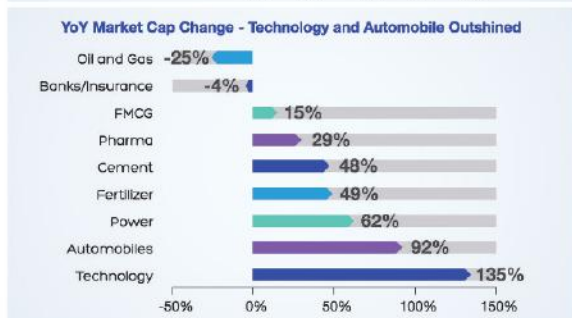
Tumbled Commodities

Over the last few years, there have been some significant changes on the global front with regard to commodity prices, which have also had considerable impact on various industries in our local market with reference to the profitability and market capitalization of their respective companies. Over the last two years, prices of a few major commodities have changed as per the following summary:

Prices in USD

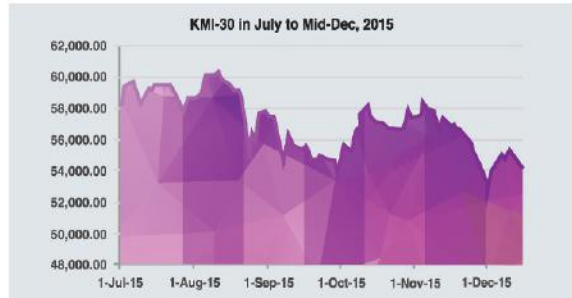
Commodity	31-Dec-13	14-Dec-15	Change
Oil - Brent (per barrel)	111	38	-65%
Steel (per ton)	442	212	-52%
Copper (per ton)	7360	4566	-38%
Coal (per ton)	85	62	-27%
Rubber (per ton)	183	100	-48%
Gold (per ounce)	1206	1064	-12%

These substantial changes in commodity prices in the international market have had a mixed impact on Pakistan's stock market as the oil exploration sector took a major hit due to a considerable dent on its revenue side but the same shaped up as a decline in energy costs for rest of the sectors in turn improving their profitability. Overall, Pakistan's industry has gained more from declining commodities and corporate profitability has surged; there have been ensuing changes in the market capitalization of the stock market index as well. A sector wise summary of changes in profitability and market cap is observable in the following charts:



Recent Volatility: Should the investors be worried?

Recently, over the first two quarters of FY'16, the equity market has shown a slightly volatile behavior, mainly on the back of foreign investment outflow; this has worried the local investors but it is pertinent to understand the reasons behind this volatility. In the first quarter of this fiscal year, slow-down in the growth momentum of Chinese economy triggered a volatility chain over almost all international bourses as the international investors became jittery on fears of a global economic slow-down; the same impacted Pakistan's stock market as well as there was an outflow of investments from all emerging markets. During the second quarter, expectations regarding



Muhammad Asad
Chief Investment Officer

the US Federal Reserve Rate to rise for the first time in a decade, drove the international investors to reallocate their investment portfolios accordingly as emerging economies usually witness an outflow of funds in such scenarios.

The important point to note here is that despite a foreign selling of USD 217 million during the current fiscal year, the stock market has shown consistent resilience, thereby highlighting the confidence of institutional as well as individual investors in the market. Alongside, in the current interest scenario where the SBP has consistently reduced the Discount over the last four and a half years and brought it down to a 42-year low at 6.50%, equities appear to be the best way forward for investors to meet their long-term investment goals.

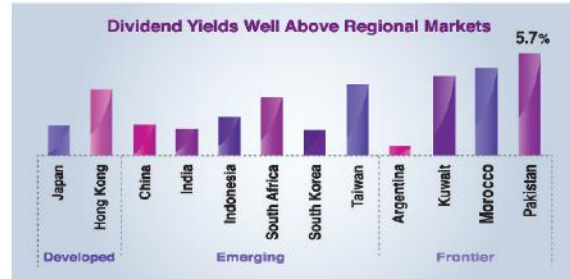
Outlook Going Forward

The case for Pakistan's economy is really strong in the current scenario where growth in other emerging economies like China, India and South Africa has slowed down while Pakistan is now set to benefit from significant improvement in its economic indicators, political stability and improved security conditions. Lower oil prices, large remittances, monetary discipline, smoothly operating IMF program, successful international bond/sukuk sales and better maturity profiling of domestic debt have enabled the government to balance the external account and limit the budget deficit and inflation. The IMF has also certified Pakistan's economic health, and international credit rating agencies have improved the country's credit rating to investment grade. China and Pakistan have also signed MOUs for projects worth USD 46 billion under China Pakistan Economic Corridor (CPEC). Initial prioritized pipeline of investments under CPEC envisages an overall investment of USD 33.8 billion in energy and USD 10.6 billion in transport infrastructure. With the implementation of bulk of these projects during the next three years, an estimated 13,880 MW of electricity will be added to the national grid. All this development under the CPEC (a summary of projects observable in the table) will also provide a solid foundation of infrastructure and economic activity to jump-start growth in several segments of Pakistan's economy and add up to 2% in the GDP growth rate. Pakistan's ability to grow autonomously whereby 84% of the country's GDP is created by domestic demand, is also an important factor since it keeps Pakistan less dependent on export markets for attaining economic growth.

Based on the above mentioned, all in all, we maintain a positive stance on the stock market and reiterate our target of 40,000 pts for FY'16.

Advice to Our Valued Investors

KSE-100 index is very attractive currently based on its cheap multiples and strong fundamentals. The market is currently trading at a forward PE multiple of 8.1x, a discount from the MSCI frontier markets at 10.54x and MSCI emerging markets at 13.0x PE. KSE-100 has also maintained a higher trailing dividend yield of 5.7% as compared to 4.14% yield of MSCI frontier markets and 2.82% yield of MSCI emerging markets:



Given this attractively priced scenario of Pakistan's stock market and the potential still inherent in this market, we recommend that investors should take equity exposure to take advantage of the potential return. Once the US Federal Reserve Rate issue subsides and the foreign investors' selling halts, the stock market is expected to bud into a growth trend once again.

How to Start!

Considering that it is still the right time to take an entry into equities, investors should first carry out a self-analysis in order to determine their return requirements and risk acceptability. Investors can broadly be categorized into four sub-groups depending on their age and position in the employment cycle (summarized in the table below): This categorization basically helps in determining the risk tolerance of

Age	Investor Characteristics
25 to 35 years	Young and energetic, few responsibilities, cash inflows are greater than outflows
36 to 50 years	Usually at prime of the career, increasing responsibilities, cash flows need to be managed prudently
51 to 60 years	Approaching retirement, cash flows soon to decrease to pension/investment income, investment diversion to safer avenues
60 plus years	Retired, cash inflows restricted to pension/investment income, cash outflows usually exceed inflows

an investor; generally speaking, the younger an investor, the higher the risk tolerance but obviously factors like one's income streams, responsibilities, family wealth, etc., also matter in determining an investor's appetite for risk.

Return expectations should be in line with one's risk profile; a risk averse investor should not expect a very high return from his low risk investments.

An investor should also take into account his/her constraints with reference to time horizon of investment, tax considerations (usually manageable through investment in mutual funds), legal and regulatory concerns, liquidity requirements and any unique circumstances/preferences.

After carrying out this preliminary self-analysis, investors are also suggested to utilize the expertise and investment services of mutual funds for taking exposure to the equity market; apart from the tax advantage through mutual funds, it is pertinent to note here that winning investments in the stock market mainly require professional

management and diversification in order to avoid unnecessary/excessive risk.

With the stock market expected to provide a return of around 20% from its current level, and fixed income avenues expected to return around 6% in the current interest rate scenario, we recommend the following asset allocations to our investors:

Investor's Age Bracket	Investment Style	Risk Taking Ability	Portfolio Composition (%)			Expected Return
			Equity	Regular Income	Cash	
Young	Aggressive	High	80%	15%	5%	17%
Middle-Aged	Balanced	Medium to High	50%	40%	10%	13%
Retirement Age	Conservative	Low to Medium	30%	50%	20%	10%
Post Retirement	Very Conservative	Low	0%	70%	30%	5%

RETIREMENT PLANNING



Talha Anwar
Head of Sales & Marketing

In a human being's perspective, retirement is that phase of life where one metaphorically hangs up his boots and gloves, and spends the remaining part of his life free from his occupation and the employment-related worries that accompany it.

For many of us, retirement commences somewhere around the age of 60 or 65, after a lengthy period of employment. This period is usually characterized by an abundant amount of time and a heart full of wishes and desires to satisfy.

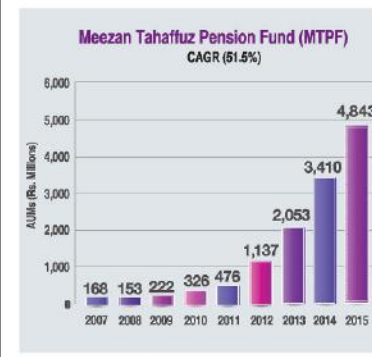
Voluntary Pension Schemes - The Way Forward!

Retirement planning is one of the most important life goals, yet most people tend to overlook the significance of such planning, and often realize this fact when they have actually entered their retirement phase.

A Voluntary Pension Scheme (VPS) is a personalized, defined, savings-cum-investment vehicle for providing comprehensive financial framework for life after retirement. It acts as a common asset pool intended to generate stable source of income over the long term, providing pensions to employees after retirement. The VPS is usually governed by a pension fund manager that can be an asset management company or an insurance company.

Currently, there are a total of 17 voluntary pension funds operating in the asset management industry, managed by 9 fund managers. The present pension fund industry size is Rs. 14.6 billion as of November 2015, out of which Islamic AUMs stand at Rs. 8.7 billion.

Being the premier on many platforms, Al Meezan Investment Management Ltd., did not fail to outshine in this aspect as well as it launched Pakistan's first and largest Shariah compliant voluntary pension scheme - Meezan Tahafuz Pension Fund (MTPF), a dedicated fund to secure your post-retirement financial needs. The illustration below depicts the remarkable journey of MTPF since its launch in 2007, achieving an Average Annual Growth Rate of 51.5% (CAGR basis).



Having highlighted the commendable growth of MTPF, it is no surprise that Islamic AUMs of pension funds have significantly outpaced their conventional counterparts, as the former have generated an annualized CAGR of 63%, as opposed to the latter, which have recorded a CAGR of 52%.

Benefits of the Fund:

- Flexibility and Convenience - Contributions can be made regularly, as and when one wants, without any risk of penalties on missing payments.

Asset Allocation Schemes			
	Equity	Debt	Money Market
High Volatility	80%	20%	Nil
Medium Volatility	50%	40%	10%
Low Volatility	25%	60%	15%
Lower Volatility	Nil	50%	50%
Customized Allocation	0-100%	0-100%	0-100%
Life Cycle Plan	Automatically adjusts allocation from High Risk assets towards Lower Risk based on the age profile		

- Portability - MTPF account stays intact and continues with or without the new employer. The pension account can always be transferred to another Pension Fund Manager without any charges or penalty.
- Lump Sum Payment Available on Retirement - On retirement, participants can withdraw up to 50% of the accumulated balance from their pension account, completely free of tax.
- Free Takaful Cover - Free of cost Takaful protection for natural death, accidental death, permanent total disability and accidental medical expenses up to Rs. 5 million provides an added element of financial security.

- Range of Investment Options - A snapshot of various available asset allocation schemes is illustrated in the table below:

Pension Fund - Tax Benefit

The government of Pakistan, through its taxation authorities, has instilled a favorable tax treatment and benefit to pension fund investors.

- In addition to the 20% Tax Credit on taxable income available in Collective Investment Schemes, MTPF offers an added advantage in the form of 50% maximum tax credit to participants exceeding 40 years of age, up to the age of 55. Contribution to MTPF effectively increases return on investment by the percentage of tax rate.
- A brief snapshot example of tax benefit is demonstrated below:

S. No.	Annual Taxable Income (ATI)	Annual Tax Liability	Effective Tax Rate	Basic Salary (60% of ATI)	Actual PF Investment Pension Fund (20% of ATI)*	Increase in Take Home Income by Tax Credit through Pension Fund (as per Sec 63)
1	700,000	15,000	2.14%	420,000	84,000	1,800
2	1,550,000	102,500	6.61%	930,000	186,000	12,300
3	2,450,000	253,750	10.36%	1,470,000	294,000	30,450
4	6,500,000	1,287,500	19.81%	3,900,000	780,000	154,500
5	15,000,000	3,825,000	25.50%	9,000,000	1,800,000	459,000

Hamdard Laboratories (Waqf) Pakistan
Congratulates
Al-Meezan Investment Management Ltd.
on
20 years
of Islamic Financial Services

CONGRATULATES

FOR
20
YEARS OF EXCELLENCE
Synergy Group congratulates Al Meezan Investments on the completion of 20 years of excellence. We have seen you grow from strength to strength, build and change the investment landscape. May you continue to shine in the years to come.