



Rating Action

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Applicable Criteria and Related Research

- Mutual Funds | Fixed Income
- Category - Viewpoint | Nov-15
- Fund Stability Rating Methodology

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PACRA Maintains Stability Rating of Faysal MTS Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating at 'A+'(f) (Single A plus; fund rating) of Faysal MTS Fund (FMTSF), an open-end income fund. The fund's rating denotes a strong capacity to manage relative stability in returns and low exposure to risks.

The objective of Faysal MTS Fund (FMTSF) is to provide competitive returns primarily through investment in the MTS market.

The fund's mandate is to predominantly invest in Margin Trading System (MTS). MTS is a leveraged product offered by NCCPL. MTS is an undisclosed counterparty market for lenders and borrowers. This is only available for eligible securities also notified by NCCPL. All MTS transactions are entered at financing participation ratio of "15%" for borrower and "85%" for lender. Borrowers are required to pay mark-to-market losses to NCCPL on daily basis in cash. Each MTS contract cannot exceed 60 calendar days and on every fortnight, MTS will automatically reduce 1/4 of the contract value. The rating of Faysal MTS Fund reflects comfort drawn on the elaborated and secure system of NCCPL. At end-sept16, fund's 71% net assets were invested in MTS transactions, which due to its self liquidating nature possess less risk over the short tenure. The remaining assets of the fund were invested as cash (18%) with banks rated 'AA-' and Government securities (9%). The unit holding pattern of the fund is highly concentrated towards top 10 investors representing 87% of the fund's assets.

The fund intends to keep a minimum of 70% in MTS on quarterly average basis. The fund would observe per scrip exposure limit as per classification of scrips in four categories. The rest of the amount would be invested in other avenues, of which the rating may not be lower than 'A+'. PACRA would monitor continued compliance with the relevant guidelines.

About the Management Company:

Faysal Asset Management Limited (FAML), licensed to conduct asset management and investment advisory services, was incorporated in 2003 as an unlisted public limited company under company's ordinance, 1984. The major shareholder of FAML is Islamic Investment Company of the Gulf (Bahamas) Ltd (50% stake), followed by Faysal Bank Limited (30% stake). Mr. Razi Ur Rahman Khan, a director of FAML, holds the remaining 20% stake in FAML. Presently, the company is managing a diversified portfolio of nine open-end funds, with combined AUMs of PKR 10.2 billion at end-Sep'16.

The CEO, Mr. Enamullah Khan, has extensive experience in domestic and international capital markets. The COO, Mr. Najam ul Hassan, is serving FAML since 2012. The fund manager of FMMF, Mr. Syed Shahid Iqbal, carries 20 years of experience in the financial market.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

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