



## Rating Action

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## Analyst

Sadaf Jamil  
(+92-42-35869504)  
sadaf.jamil@pacra.com  
www.pacra.com

## Applicable Criteria and Related Research

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

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## PACRA Maintains Stability Rating to NAFA Active Allocation Riba Free Savings Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of 'A-(f)' (Single A minus ; fund rating) to NAFA Active Allocation Riba Free Savings Fund (NAARFSF), an open-end Shariah compliant income fund. The fund's rating denotes a strong capacity to manage relative stability in returns and low exposure to risks.

The objective of the fund is to earn a reasonable rate of return along with a high degree of liquidity by investing in short-term Shariah compliant products. This fund is exclusively built for investment of fixed income portions of "fund of funds" schemes of NAFA. Currently, 'NAFA Islamic Active Allocation Plan I', 'NAFA Islamic Active Allocation Plan II' and 'NAFA Islamic Active Allocation Plan III' have invested their fixed income portions in this fund. The unit holding pattern of these plans combined is highly concentrated with top 10 investors contributing 83% to the plans. Company has further launched a new plan under this scheme (i.e. NAFA Islamic Active Allocation Plan IV). Going forward, company is planning to launch further one plan under this scheme that will invest their fixed income portions in NAFA Active Allocation Riba Free Savings Fund.

Fund has 99% exposure in banking deposit with 'AAA' rated bank (10%), 'A+' rated bank (70%) and A- rated bank (20%) at end-July16. The unit holding pattern of the fund represents 19% investment by 'NAFA Islamic Active Allocation Plan I', 20% by 'NAFA Islamic Active Allocation Plan II' and remaining 61% by 'NAFA Islamic Active Allocation Plan III'.

Going forward the fund intends to maintain 20 % of its exposure in GoP bonds while 70% would be kept with banks rated 'A-' & above. Remaining exposure would be in sukuks with rating 'AA-' & 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:

NBP Fullerton Asset Management Limited (NAFA) an 'AM2++' rated AMC by PACRA was incorporated in August 2005. National Bank of Pakistan is the major shareholder of NAFA with 54% stake, followed by Alexandra Fund Management Pte. Ltd - 36% stake. NBP, one of the largest banks in Pakistan over 1300 branch network, has a very strong financial position, evidenced by a long-term entity rating of AAA by PACRA. The CEO of NAFA holds a stake of 10% in the company. Presently, the company is managing a diversified portfolio of twenty one open-end funds, two pension schemes and several discretionary portfolios with AUM of PKR 80bln at end-Nov16.

The CEO, Dr. Amjad Waheed, CFA, holds a Doctorate in Business Administration; he has extensive experience in domestic and international capital markets. The fund manager, Mr. Muhammad Ali is CFA charter holder and carries a diversified experience in the banking and mutual fund industry.

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. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.