



## Rating Action

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## PACRA Maintains Stability Rating of NAFA Financial Sector Income Fund

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

The investment mandate of the fund is to earn a reasonable rate of return with minimal risk while ensuring capital protection by investing in a portfolio primarily comprising bank deposits and money market instruments.

The rating reflects the fund's strong credit quality, modest liquidity profile and its mandate of maintaining minimum exposure of 70% at all times in the financial sector. At end-Sep16, the portfolio of the fund was primarily invested with as banking deposits (50%) and bank placements (18%). This exposure is mainly with banks rated 'AA+' (38%) and 'A+' (27%). The remaining assets of the fund were invested with debt securities (TFCs: 30% - AA- or above). Exposure to interest rate risk is low as duration of the fund did not exceed 70 days in last 4 quarters. The unit holding pattern of the fund is moderately concentrated with top10 investors representing 51% of the fund's assets.

Going forward, the fund plans to keep its allocation to debt instruments (45%), while the remaining assets will be invested in bank (35%) with rating 'A' & above and government securities (20%). Material changes in the fund's asset allocation strategy, which could negatively impact the fund's credit quality and exposure to interest rate risk, remain 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.

### Applicable Criteria and Related Research

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

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