



Rating Action

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Applicable Criteria and Related Research

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

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PACRA Maintains Stability Rating of NAFA Government Securities Liquid Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of NAFA Government Securities Liquid Fund (NFSLF), an open-end money market fund, at 'AAA (f)' (Triple A; fund rating). The fund's rating denotes an exceptionally strong capacity to maintain relative stability in returns and possesses negligible exposure to risks.

The fund's mandate is to generate optimal return with minimum risk, to provide liquidity and reasonable income to its unit holders by investing primarily in short-term Government Securities.

The rating reflects strong credit quality of the fund. This emanates from maintaining a high exposure to government securities and low duration against interest rate risk. The fund continued to remain heavily invested in GoP securities. Fund's average exposure towards interest rate risk was sizeably minimal. In Sep-16, the duration of the fund was 40 days. This has provided immaculate shield to the fund's NAV against risk of volatility affecting its pricing. The unit holding pattern of the fund emanates high liquidity risk as top10 investors represents 73% of the fund's assets at end-Sep16, making it vulnerable to redemption pressure.

Going forward, the rating remains dependent on maintaining at least 70% allocation towards AAA exposure with portfolio duration not exceeding 45 days. Meanwhile, the remaining assets of the fund must be placed with scheduled banks having very strong credit quality. PACRA would monitor compliance against agreed parameters on monthly average basis

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.

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