



## Rating Action

Lahore : 09-Dec-2016

## Analyst

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

## PACRA Maintains Stability Rating of NAFA Income Fund

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

The investment objective of the fund is to earn competitive rate of return for its unit holders by investing in money market and debt securities having good credit quality.

The rating reflects improvement in credit quality, low exposure against interest rate volatility, and diversified sectoral exposure in assets. At end-Sept16, fund's exposure with Government securities was 5%, exposure towards banks as daily cash balances was (36%) and banking deposits were (14%). The remainder of the assets were invested in margin trading system (17%) which, due to its self liquidating nature, possesses less risk over a short tenure. The sizeable exposure of (~27%) with TFCs exposes fund towards credit risk. However, it seems to be manageable due to good quality instruments ('AA-' rated and above). The unit holding pattern of the fund is highly concentrated with top10 investors representing almost the entire fund which exposes the fund to redemption pressure.

Going forward the fund intends to maintain its allocation to good quality debt instruments (20%) with the remaining assets invested in government securities and cash balance with a minimum rating of 'A' and 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, 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

### Disclaimer

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA.

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.