



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 Income Opportunity Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of NAFA Income Opportunity Fund (NIOF) 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 a reasonable rate of return while ensuring capital preservation for its unit holders by investing in money market and debt securities.

The rating reflects the fund's mandate to build a sizeable exposure to debt investments though of good quality. As at end-Sept16, the total exposure stands at 4% from financial and corporate sectors (TFC's & Sukuk). The remaining assets are deployed in cash balances and placements with good commercial banks (65%). Majority of the exposure is with 'A' & above rated banks (i.e. 34%). The exposure with Government securities is merely 5%, remaining assets portion is deployed in margin trading system (12.2%), which due to its self liquidating nature, possesses less risk over a short tenure. The unit holding pattern of the fund is fairly concentrated with top 10 investors representing 46% of the fund's net assets as at Sep-16.

Going forward, the fund intends to increase its allocation to government securities (25%). The remaining assets will be invested in debt instruments and bank placements with a minimum rating of 'A' and above rated banks. 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.

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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