



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 the Stability Rating of NAFA Riba Free Savings Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of NAFA Riba Free Savings Fund (NRFSF), an open-end Shariah compliant 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 mandate of the fund is to earn a reasonable rate of return in Shariah compliant manner along with capital preservation by constructing a portfolio of highly liquid short-term products.

The rating incorporates the fund's investment philosophy; this is primarily focused to optimize its return by building a portfolio of relatively lower rated avenues - not below 'A-' (single A minus). The rating reflects strong liquidity profile of the fund emanating from the maximum exposure of fund as cash balances. At end-Sep16, 89% of the fund's assets were placed as cash balances with various commercial banks, with minimum rating of 'A-'. Remaining assets of the fund were invested in GoP Ijarah sukuk. The unit holding pattern of the fund is moderately concentrated with top10 investors representing 53% of the fund.

Going forward the fund intends to enhance the share of GoP Ijarah Sukuks in the portfolio while keeping rest of the assets as daily cash balances and placements with 'A-' and above rated bank. 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.

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