



Rating Action

Lahore : 09-Dec-2016

Analyst

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

PACRA Maintains Stability Rating of Pakistan Cash Management Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of Pakistan Cash Management Fund (PCF), 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 returns by investing primarily in shorter duration money market instruments.

The rating reflects the strength of the fund's credit and interest risk profile. The fund's very strong credit quality and sound liquidity profile emanates primarily from its mandate to invest in government securities; mainly Treasury Bills. At the same time, the fund adheres to very conservative duration limit, ensuring low exposure to interest rate risk. At end-Sep16, the fund is primarily invested in T-bills (36%), while the remaining assets are held as cash in scheduled banks with very strong credit quality ('AA+' and above). On monthly average basis, duration of the fund remained below 45 days in last 4 quarters, except for in Oct15 where duration was more than 45 days. In Sep16, fund's monthly average exposure in Government Securities was 76% whereas its duration was 25 days. The unit holding pattern of the fund has high concentration with top10 investors representing 85% of the net assets which exposes the fund to redemption pressure.

Going forward, the rating remains dependent on maintaining at least 70% allocation towards government securities or AAA rated banks 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:

MCB-Arif Habib Savings and Investments Limited (MCBAH) is a subsidiary of MCB Bank Limited (MCB). MCB holds majority stake (51%) in the company, followed by Arif Habib Corporation Limited (30%). The company is managing fourteen open ended funds along with two pension schemes with AUMs of PKR 44 billion at end-Sept 16. MCB, one of the largest banks in Pakistan in terms of asset size and branch network, has a very strong financial position, evidenced by a long-term entity rating of AAA by PACRA. Arif Habib Corporation is the holding company for Arif Habib Group with interests in the financial and industrial sectors.

The CEO, Mr. Saqib Saleem, FCA, has extensive experience of the mutual fund industry. The Fund Manager, Mr. Saad Ahmad, an MBA, has wide ranging experience in domestic asset management companies.

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.