



Rating Action

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PACRA Maintains Stability Rating of Pakistan Income Fund

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

The fund's investment objective is to earn reasonable rate of return by primarily investing in debt and fixed income securities without taking excessive risk.

The rating reflects strong credit quality and sound liquidity profile of the fund emanating from its 57% as cash placements and 14% exposure as term deposits with banks rated 'AAA' (15%), 'AA+' (41%) and 'A+' (19%) at end-Sept16, while fund's exposure in PIBs was 6%. Meanwhile, there was a high exposure towards debt securities, primarily TFCs (23%) from financial sector. This highlights the fund's appetite for risk though currently these TFCs are mostly of good quality (AA- and above) [i.e. 'AAA' (5%); 'AA' (4%) and 'AA-' (14%)]. The unit holding pattern of the fund is adequately diversified with top10 investors representing 42% of the fund's assets.

Going forward, the fund intends to maintain exposure to government securities, corporate debt securities and cash balances. The rating is contingent upon the fund's interest rate sensitivity and volatility in prices of TFCs in case of exposure to low rated instruments. 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:

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, Syed Mohammad Usama Iqbal, has wide ranging experience in domestic asset management companies.

Applicable Criteria and Related Research

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

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