



Rating Action

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PACRA Revises the Stability Rating of Pak Oman Advantage Islamic Income Fund

The Pakistan Credit Rating Agency (PACRA) has revised the stability rating of Pak Oman Advantage Islamic Income Fund (POAIIF), an open-end Shariah compliant income fund, to 'A (f)' (A; fund rating)[previous rating 'A+ (f)' (A plus; fund rating)]. The fund's rating denotes a strong capacity to manage relative stability in returns and very low exposure to risks.

The mandate of the fund is to provide a reasonable rate of return to its unit holders and long-term capital growth by investing primarily in a diversified portfolio of Shariah compliant investment instruments.

The revised rating incorporates the change in fund's investment philosophy. At end-Sept16, fund's exposure with cash balances was 69% while remaining assets of the fund were invested in sukuks (i.e. 29%). Majority of the fund's assets were invested with 'A-' rated avenues (i.e. 56%). Fund possess robust liquidity profile emanating from the fund's weighted average maturity of 14 days. The unit holding pattern of the fund is highly concentrated with top10 investors representing 99% of the fund's assets as at end-Jun16. However, comfort can be drawn from the sizeable investment of the lead sponsor (PKR 170mln; 98% of fund's net assets at end-Jun16).

Going forward, the management of the fund intends to gradually build portfolio of enhanced exposure to government securities. Meanwhile, the fund plans to remain invested in strong credit quality 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, remains critical for the rating.

About the Management Company:

Pak Oman Asset Management Company Limited (POAMCL) is the management company for POGSF. The sponsors of POAMCL are Pak Oman Investment Company Limited (97%), Oman National Investment Corporation Holding (1.2%), National Logistics Cell (1.2%) and Bank Muscat (0.6%). The company is currently managing four mutual funds with AUMs of PKR 1.5bln at end-Sept16.

The CEO, Mr. Adeel Ahmed Khan joined as CEO of the company in Nov-15. He holds more than a decade experience in AMC industry. The fund manager, Meraj uddin Mazhar, CFA & FRM, carries adequate experience.

Applicable Criteria and Related Research

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

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