



Rating Action

Lahore : 22-Sep-2016

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PACRA Revises the Stability Rating of Pak Oman Government Securities Fund

The Pakistan Credit Rating Agency (PACRA) has revised the stability rating of Pak Oman Government Securities Fund (POGSF), an open-end income fund, to 'A+(f)' (A Plus; fund rating) [previous rating 'AA-(f)' (Double A minus; fund rating)]. The fund's rating denotes a strong capacity to manage relative stability in returns and low exposure to risks.

The fund's mandate is to provide competitive returns from portfolio of investment with low credit risk with maximum possible preservation of capital via investing in Government Securities.

The rating reflects the change in the fund's investment strategy, primarily relating to the duration of underlying investments. In recent period, the fund's duration has exceeded previously committed level of maintaining a duration of less than 2 years. At end-July16, 52% of the fund's net assets were invested in T-Bills, while exposure in PIBs was 36%. The remaining assets of the fund were invested as cash balance (11%) with 'AAA' rated banks. The duration of the fund was 2.6 years which shows interest rate risk. The unit holding pattern of the fund at end Jun-16 is highly concentrated, with the top10 investors representing 99% of the fund's assets which makes the fund vulnerable to redemption pressure.

Going forward, the rating remains dependent on maintaining sizeable exposure towards government securities with portfolio duration not exceeding 4 years.

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 1bln at end-July16.

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, Mr. Imran Rahim Khan, carries adequate experience in the domestic mutual fund industry.

Applicable Criteria and Related Research

- Mutual Funds | Fixed Income
- Category - Viewpoint | Nov-15
- Fund Stability Rating Methodology

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