

Faysal Asset Management Limited

Chairman: Mr. Naveed A. Khan; Chief Executive: Mr. Enamullah Khan

Date: February 26, 2014

Analysts: Waqas Munir, FRM/ Usman Khan

	Latest	Previous
Rating	AM3+	AM3+
	Dec 27, 2013	May 18, 2012
Outlook	Stable	Stable

Asset Allocation (as a of net assets) as at June, 13

Return

Unit holding pattern as at June, 13

Rating Rationale

With the addition of Faysal Financial Sector Opportunity Fund (FFSOF), Faysal Asset Management Limited (FAML) is now managing seven collective investment schemes. The company is also managing various advisory mandates. Having streamlined internal processes and strengthened the company’s infrastructure, the management now plans to diversify its product offering with the launch of Islamic equity & fixed income funds and also a pension fund, going forward.

FAML follows a top-down approach in investment selection with due weight given to macroeconomic factors. In case of event based news, bottom-up investing principle is also adopted. Portfolio composition and rebalancing decisions are executed in accordance with directives of investment committee. Documentation of decisions taken by IC members, either by way of a formal meeting or through circulation, may need to be improved to have proper record of investment decisions. Monitoring of investments is carried out by the research function through the use of trigger sheets. Risk department generates various reports to support the investment process. FAML has a separate investment advisory department for active management of advisory portfolio. During the ongoing year, FAML has established an in-house IT department to enhance the efficiency of IT function. The management plans to upgrade the existing version of the software and increase the functional modules.

Total investors in the funds under management were 2,055 (FY12: 1,935) at end FY13. Investor profile of the funds exhibits concentration. On a positive note, quantum of related party investments has decreased considerably on a timeline basis, comprising 13.2% (end-June’12: 42%) of net assets at end- June’13, indicating market based growth. Growth in AUMs has continued in the on-going year, in line with the targets set by the management. In an effort to enhance investor base, sales team of the company has been reorganized with resources segregated into corporate and retail teams. The management is working towards leveraging synergic benefits with Faysal Bank Limited (FBL) in-terms of distribution arrangement; results of the same will be tracked over time.

Faysal Money Market Fund (FMMF) is the flagship fund and comprised 50% of assets under management at end Jun-13. Performance of FMMF and FSGF compares favorably to peers; in case of other funds, barring the newly launched fund, there is room for improvement. In the case of Faysal Balanced Growth Fund, performance remained in the lowest quartile in the peer group as non-earning preference shares to the tune of 33% of net assets at end-FY13 continue to create a drag on the fund’s performance. Provisions against non-performing debt instruments in case of Faysal Asset Allocation Fund (FAAF) had adversely affected its return; for the year ended Dec’13, its performance was around peer group average. The four income funds under management (Faysal Islamic Savings Growth Fund, Faysal Savings Growth Fund (FSGF), Faysal Income & Growth Fund and FFSOF) are being managed in a conservative fashion, despite the fact that FIGF is classified in the aggressive income category. Downside risk emanating from the funds’ investments is considered low. Consistency of returns across the product suite has yet to be established. Long term performance history of the funds under management will be established over time.

The company has aggressive growth plans, going forward. Stability in the core management team would be critical towards achieving strategic objectives.

Overview of the Institution

FAML was incorporated in 2003 as an unlisted public limited company under companies ordinance, 1984. It is licenced to conduct asset management and investment advisory services. The shares are primarily held by Islamic Investment Company of the Gulf (Bahamas) with 50% stake, followed by Faysal Bank Limited with 30% share and the remaining 20% are held by Mr. Razi Ur Rahman Khan.. Financial Statements for FY13 were audited by M/s A.F. Ferguson & Co. Internal Audit is outsourced to M/s KPMG Taseer Hadi & Co. **JCR-VIS**

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Management Quality</u>				
27-Dec-13	AM3+	Stable		Reaffirmed
18-May-12	AM3+	Stable		Downgrade
20-Jan-12	AM2-			Rating Watch – Developing
05-May-11	AM2-	Stable		Reaffirmed
05-Apr-10	AM2-	Stable		Upgrade