

RATING REPORT

Faysal Asset Management Limited

REPORT DATE:

June 15, 2015

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM3+	AM3+
Rating Date	June 11, '15	Dec 27, '13

COMPANY INFORMATION

Incorporated in 2003	External auditors: A.F. Ferguson & Co. Chartered Accountants
Unlisted Public Limited Company	Chairman of the Board: Mr. Nauman Ansari
Key Shareholders:	Chief Executive Officer: Mr. Enamullah Khan
Islamic Investment Company of the Gulf (Bahamas) Limited – 50%	
Faysal Bank Limited (Pakistan) – 30%	
Directors – 20%	

APPLICABLE METHODOLOGY(IES)

 Mutual Funds Rating (December 2006): <http://www.jcrvis.com.pk/Images/MFund-20061201-2.pdf>

Faysal Asset Management Limited

OVERVIEW OF THE AMC

FAML was incorporated in 2003 as an unlisted public limited company under companies ordinance, 1984. It is licensed 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 directors. Financial Statements for FY14 were audited by A.F. Ferguson & Co. Chartered Accountants. Internal Audit is outsourced to M/s KPMG Taseer Hadi & Co.

RATING RATIONALE

In the on-going year, Faysal Asset Management Limited (FAML) has experienced notable changes at the board and senior management level. Mr. Nauman Ansari, CEO & President of Faysal Bank Limited (Pakistan) (FBL) was nominated as Chairman to the Board. He replaced the outgoing Chairman, Mr. Mohammad Abdul Aleem, who was an independent director. Over the last year, capacity building measures have been taken with key positions having largely been filled. These changes include appointment of Chief Financial Officer & Company Secretary, Chief Distribution Officer and Head of Compliance & Internal Audit while positions of Chief Investment Officer and Head of Research were internally filled. Stability in management team is considered essential for the company to achieve its long term objectives.

Support functions to the fund management process require further development. Head of Human Resources remains vacant for more than a year. During FY14, a number of instances were noted where four of FAML's funds were non-compliant with their operational investment policies. These observations were not addressed by the fund managers. Occurrence of such events depicts gaps in the company's compliance functionality.

Total Assets under Management (AUMs) amounted to Rs. 9.1b (FY14: Rs. 8.4b, FY13: Rs. 5.3b) with market share of FAML declining slightly to 1.7% (FY14: 2%, FY13: 1.5%) by end-May 2015. FAML manages a diverse portfolio of seven funds with product suite including asset allocation, balanced, income and money market category. FAML's flagship fund remained Faysal Money Market Fund. Around half of total AUMs are contributed by income funds. This is primarily attributable to change in FAML's focus towards building its income schemes; previously the company was focused towards money market investment schemes. During FY14, a new income scheme, Faysal Financial Sector Opportunity Fund was launched. Going forward, the company plans to launch three new Sharia'h compliant funds in the asset allocation, pension and capital protected categories; two of which are expected to be launched in the near future.

On a timeline basis, relative performance has either improved or remained more or less steady for majority of the funds. In relation to peers, the performance of two income funds under management was in the first quartile while all other funds were in the lower quartiles for the period ending March 2015. Performance of balanced and asset allocation was in the third and fourth quartile, respectively.

On a timeline basis, investor concentration levels have experienced some improvement across funds; there is nevertheless significant room for penetration in the retail market. The proportion of retail investment in the funds is relatively on the lower side, with just one fund featuring retail investment proportion of over 60%. Five funds have retail investment in the range of 25-45% while FAML's money market fund has the lowest retail concentration of 5%. For all funds, top ten investors held more than 50% of outstanding units. Additional resources are being hired by FAML to reach out to its target market. In addition to the development of in-house sales team, progress has also been made recently in finalizing modalities for enhancing the utilization of the parent bank's network for generating sales. JCR-VIS will continue to monitor results in this context.

JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Faysal Asset Management Limited

FINANCIAL SUMMARY			Appendix III
<u>FAYSAL MONEY MARKET FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	5,191.7	2,872.1	1,639.5
Return (%)	8.35	9.06	10.98
Benchmark (%)	8.44	8.33	9.98
Retail Proportion (% of Net assets)	5.7	17.5	0.8
Ranking Against Peers	7/21	13/19	16/17
<u>FAYSAL SAVINGS GROWTH FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	1,418.4	898.4	1,726.5
Return (%)	8.81	8.67	11.14
Benchmark (%)	9.76	9.88	12.33
Retail Proportion (% of Net assets)	32.7	55.2	41.1
Ranking Against Peers	3/17	14/18	10/19
<u>FAYSAL FINANCIAL SECTOR OPPORTUNITY FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	394.7	-	-
Return (%)	9.12	-	-
Benchmark (%)	8.96	-	-
Retail Proportion (% of Net assets)	32.9	-	-
Ranking Against Peers	-	-	-
<u>FAYSAL INCOME & GROWTH FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	460.1	565.6	530.5
Return (%)	8.82	9.50	13.55
Benchmark (%)	9.87	9.92	12.24
Retail Proportion (% of Net assets)	28.1	42.5	20.8
Ranking Against Peers	4/9	5/9	4/10
<u>FAYSAL BALANCED GROWTH FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	119.8	107.7	210.0
Return (%)	14.69	19.15	-4.69
Benchmark (%)	23.53	30.70	11.59
Retail Proportion (% of Net assets)	28.0	28.9	19.2
Ranking Against Peers	5/5	5/5	5/5
<u>FAYSAL ISLAMIC SAVINGS GROWTH FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	665.4	785.0	536.5
Return (%)	7.65	8.28	11.24
Benchmark (%)	6.92	7.30	8.70
Retail Proportion (% of Net assets)	42.4	47.7	56.0
Ranking Against Peers	10/12	9/11	3/11
<u>FAYSAL ASSET ALLOCATION FUND</u>	FY14	FY13	FY12
Fund Size (in Rs. millions)	125.9	106.3	297.1
Return (%)	17.01	20.26	-0.02
Benchmark (%)	30.21	34.43	11.62
Retail Proportion (% of Net assets)	14.4	8.3	3.6
Ranking Against Peers	5/11	8/11	6/8

MANAGEMENT QUALITY RATINGS

AM1: Highest Management Quality

AM2+, AM2, AM2-: High Management Quality

AM3+, AM3, AM3-: Good Management Quality

AM4+, AM4, AM4-: Adequate Management Quality

AM5+, AM5, AM5-: Weak Management Quality

For companies undertaking Investment Advisory Services only, the Management Quality Rating Scale is appended with the suffix 'IA' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.

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Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

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REGULATORY DISCLOSURE		Appendix V		
Name of Rated Entity	Faysal Asset Management Limited			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	6/11/2015	AM3+	Stable	Reaffirmed
	12/27/2013	AM3+	Stable	Reaffirmed
	5/18/2012	AM3+	Stable	Downgrade
	1/20/2012	AM2-		Rating Watch-Developing
	5/5/2011	AM2-	Stable	Reaffirmed
Instrument Structure	N/A			
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
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