

Pak Oman Asset Management Company Ltd.

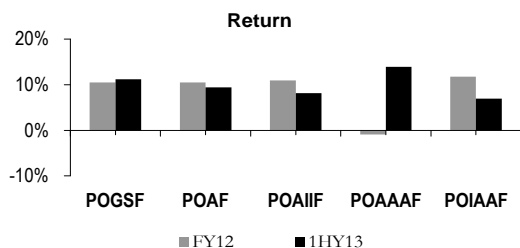
Chairman: H.E. Yahya Bin Said Bin Abdullah Al-Jabri;

Chief Executive: Ms. Hina Ghazanfar

Date: May 8, 2013

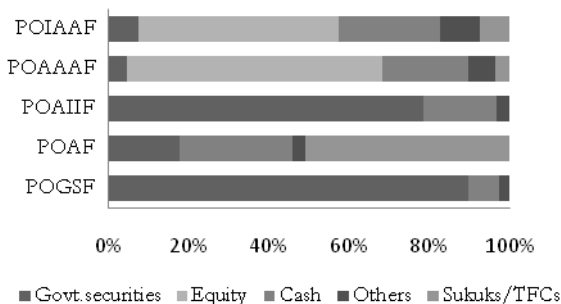
Analysts: Faryal Fabeem/Maria Wasti

	Latest	Previous
Rating	AM3- Apr 04, 2013	AM3 Jul 06, 2012
Outlook	Negative	Negative



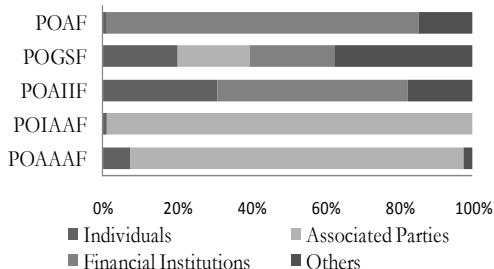
1HY13 returns have been annualized for POAIIIF

Asset Allocation



Monthly Average for half year ended Dec 31, 2012 (in relation to total assets)

Unit holding pattern, June 30, 2012



Rating Rationale

Against the minimum equity requirement set by SECP of Rs. 180m for Asset Management Companies to be met by end FY13, net equity of Pak Oman Asset Management Company Limited (Pak Oman) stood reduced at Rs. 76m (FY12: Rs. 90m) at end Dec'12 on the back of higher accumulated losses. The AMC was granted extension until Mar'13 to bring equity in line with stipulated regulations. In view of the reservations expressed by sponsors to inject equity to meet the shortfall, merger option with another Asset Management Company (AMC) is being considered. Two potential investors were identified in 2012, following which in March'13, a Memorandum of Understanding was reached between Pak Oman and another AMC, whereby it was agreed to merge the two companies into a single entity. Valuation is expected to be based on the breakup value as of end March 2013, after which the swap ratio will be calculated to proceed with the merger. The MoU will remain in effect for no longer than 3 months from the date of signing unless renewed by mutual consent.

Pak Oman is currently managing five collective investment schemes in the fixed income, asset allocation and government bond fund categories. Total AUMs of the company remained short of the target set for FY12, with net redemption of Rs. 39m witnessed during the year against net issuance of Rs. 266m during FY11. Market share remained minimal at under 1% at June 30, 2012 while related party holding amounted to nearly half of the outstanding units of collective investment schemes. With AUMs under investment advisory amounting to Rs. 144m (FY11: Rs. 56m) at end Dec'12, overall AUMs stood at Rs. 2.2b (FY11: Rs. 2.0b) at the end of the same period. Of the 9 clients under management, two are institutional while remaining are individuals.

Performance of both Pak Oman Advantage Islamic Income Fund (POAIIIF) and Pak Oman Government Securities Fund (POGSF) stacked favorably against the peers and benchmark in FY12. However, performance displayed weakening for both funds against the peers during 1HY13. Exposure to downside risk is limited given that more than half of the funds' exposure is in government securities. Pak Oman Advantage Fund (POAF), the largest fund under management, represents almost 54% of the total AUMs. POAF continues to underperform its benchmark; in relation to open-end income funds, relative ranking of POAF moved from second quartile to third quartile in FY12 and in the on-going year on account of provisioning against non-performing assets.

Attrition in fund size of conventional (POAAAF) and Islamic asset allocation funds (POIAAF) was noted during FY12 and in the on-going year due to sizeable redemption by the associated concern. Frequent investment and redemption in POAAAF and POAIIIF by the AMC itself has also been noted both in FY12 and 1HY13. Performance of POAAAF improved against peers and benchmark in 1HY13 as greater exposure was taken in equities, while return ranking of POIAAF inched down in 1HY13 on account of higher provisioning booked against a non-performing debt instrument.

Few changes were noted at the senior management level. Following the resignation of CFO, the position was temporarily filled by the next in line within the department. Both Head of Research and Head of Sales vacated their respective offices and were replaced internally. The Investment Committee (IC) comprises the CEO, two fund managers and the equity trader while research is not represented on the IC.

Shareholding pattern of the company has remained unchanged during the period under review. Number of directors on the Board has declined to seven from eight following the casual vacancy arising from a nominee director of NLC. The position is yet to be filled even though more than 90 days have passed since the vacancy arose.

Overview of the Institution

Pak Oman Asset Management Company Limited was incorporated in Pakistan on July 28, 2006 as an unlisted public limited company and is licensed to undertake asset management and investment advisory services [JCR-VIS](#)

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JCR-VIS Credit Rating Company Limited

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

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Management Quality</u>				
15-Jul-13	AM3-			Rating Watch - Developing
04-Apr-13	AM3-	Negative		Downgrade
06-Jul-12	AM3	Negative		Maintained
26-May-11	AM3	Stable		Reaffirmed
26-Feb-10	AM3	Stable		Downgrade