

Pak Oman Asset Management Company Ltd.

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

Chief Executive: Mr. Awais Masood*

Date: March 26, 2015

Analysts: Talha Iqbal

	Latest	Previous
Rating	AM4+ March 6, 2015	AM3- Dec 31, 2014
Outlook	Stable	Rating Watch-Developing

Rating Rationale

Pending merger with KASB Funds Limited, Pak Oman Asset Management Company Limited (POAMCL) had been operating with considerable gaps in the management team. Apart from the CEO, the company has a functional fund management and finance team. However, there is no staff in the compliance, risk, research and internal audit team. As per management, these positions were left vacant on account of the proposed merger. Meanwhile, equity base of the company has reduced significantly on account of accumulated losses with net equity declining to Rs. 25m by end-2014. Resultantly, financial strength of the AMC has reduced significantly.

The merger process between POAMCL and KASB Funds Limited has recently been called off and as per management, sponsors are in the process of injecting equity which will allow the company to meet minimum capital requirement. Following this, vacancies in the management team will be filled. Major shareholder of Pak Oman Asset Management Company Limited (POAMCL) is Pak Oman Investment Company Limited, having a stake of 51%. Oman National Investment Corporation Holding SAOG and National Logistics Cell Staff Retirement Benefit Fund (SRBF) each have 19.5% stake, and Bank Muscat, SAOG holds the remaining 10% shares of the company.

The company has five under management; these include 4 open-end funds and one closed-end fund. Open-end funds include Pak Oman Advantage Asset Allocation Fund (Fund Size Rs. 111.3m), Pak Oman Islamic Asset Allocation Fund (Fund Size Rs. 117.5m), Pak Oman Advantage Islamic Income Fund (Fund Size Rs. 110.5m) and Pak Oman Government Securities Fund (Fund Size Rs. 102.5m). Pak Oman Advantage Fund (POAF) is the only closed-end fund managed by POAMCL and had fund size Rs. 1.11b. Total assets under management (AUMs) stood at Rs. 1.54b at end-January 2015; AUMs of open-end funds stood at Rs. 441.7m with all funds witnessing a decline in AUMs as compared to the preceding year. Apart from POAF, related party holding in funds under management is on the higher side. POAF will mature at the close of its 8 year life in May 2015, which is expected to reduce revenues of the management company. Management expects related party holdings in POAF (27%) to be reinvested in other funds under management, thereby partly mitigating the adverse impact on decline in revenues.

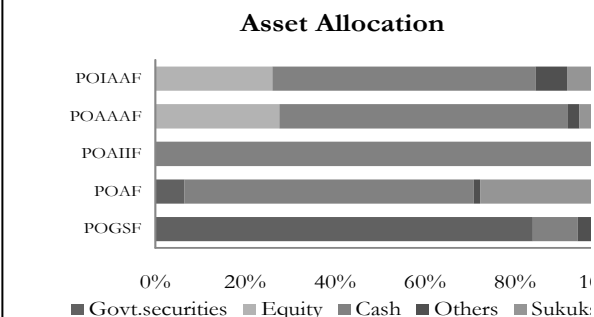
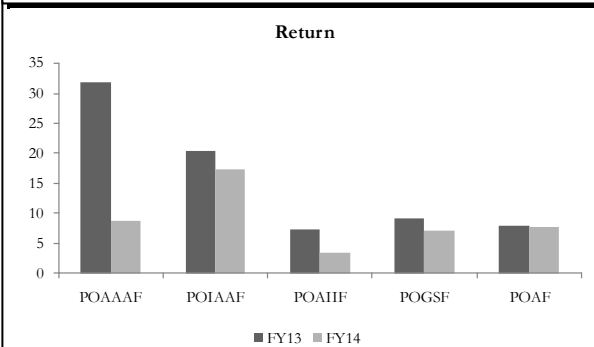
Performance of funds under management has remained weak in relation to peers. As per management, POAMCL could not execute any long-term strategy due to the pending merger and assets being deployed in very liquid avenues such as cash and bank balances.

JCR-VIS will continue to monitor developments with regards to equity injection and hiring of management resources. Rating will be re-visited as and when progress is noted as regards the above.

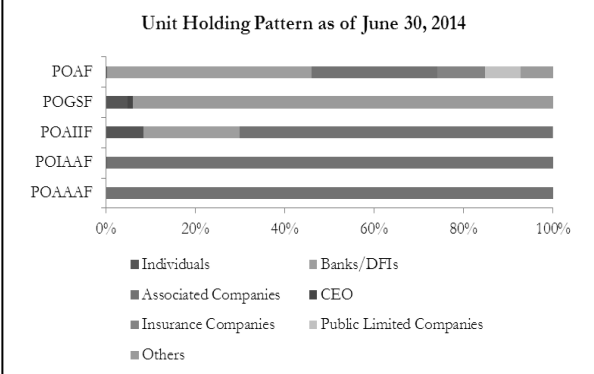
*SECP approval awaited

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](#)



As at Dec 31, 2014 (in relation to total assets)



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JCR-VIS Credit Rating Company Limited

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Management Quality</u>				
6-Mar-15	AM4+	Stable		Downgrade
31-Dec-14	AM3-	Rating Watch - Developing		Rating Watch - Developing
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