

JS INVESTMENTS LIMITED

Date: August 29, 2014

Chairman: Mr. Nazar Muhammad Sheikh; Chief Executive: Dr. Ali Akhtar Ali

Analyst: Amir Shafique / Muniba Khan

	Latest	Previous
Rating	AM2- Aug 20, '14	AM2- Jun 26, '13
Outlook	Stable	Stable

Rating Rationale

In the on-going year, JS Investments Limited (JSIL) has experienced a change at the helm, with Dr. Ali Akhtar Ali assuming the office of Chief Executive Officer; he was previously serving as the Chief Investment Officer (CIO) of the company. Following this change, the position of CIO is currently vacant. The company also experienced turnover at the positions of Head of Internal Audit and Head of Strategy. Resource identification for heading internal audit function is in process while the position of Strategy Officer has been abolished. Subsequent to transfer of Head of Research to the investment team, JSIL appointed a qualified head of research externally. Additional hiring has also been undertaken in the fund management and research functions. Stability in management team is considered essential.

JSIL manages a diverse portfolio of eleven funds with product suite including almost all fund categories currently being offered in the market. During FY13, a new Shariah Complaint Income Scheme, JS-Islamic Government Securities Fund was launched. Going forward, the company plans to merge its index tracker and aggressive asset allocation funds into JS Large Cap Fund.

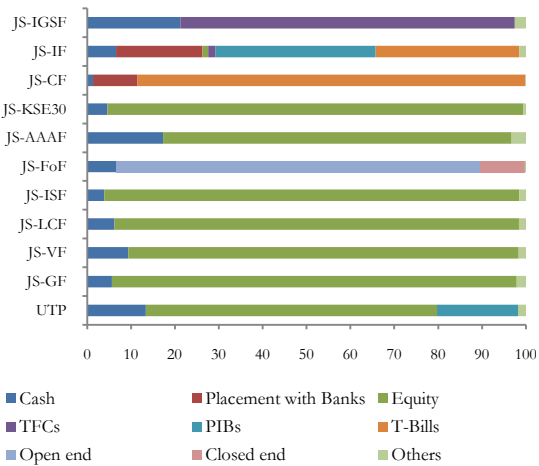
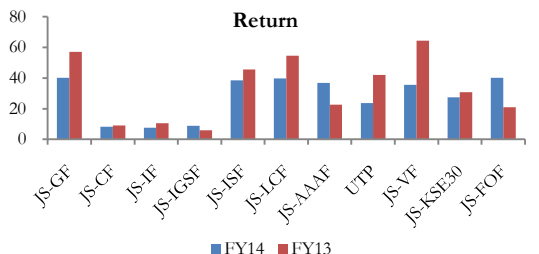
Total Assets under Management (AUMs) increased to Rs. 14.21b (FY13: Rs. 13.1b) by end June 2014; market share remained unchanged at 3.6%. Barring four schemes, all remaining funds depicted growth in asset size. Around 60% of total AUMs are contributed by equity funds; this composition is in contrast with most other AMC's which have a higher proportion of money market funds. This is primarily attributable to longer history of JSIL and the closed-end equity funds under management, which have now been converted into open-end schemes.

Performance metrics of funds under management remain favorable. In relation to peers, the performance of one equity fund under management was in the first quartile while the other three were in the second quartile for the period ended June 2014; on a timeline basis, relative performance has improved or remained more or less steady. Performance of asset allocation and balanced fund was in the first and third quartile, respectively. Returns of income/cash funds have declined in line with market benchmark rates; returns are largely in line with peers. Tracking error of index fund reduced in FY14 while return of fund-of-funds improved as allocation to equity funds was enhanced.

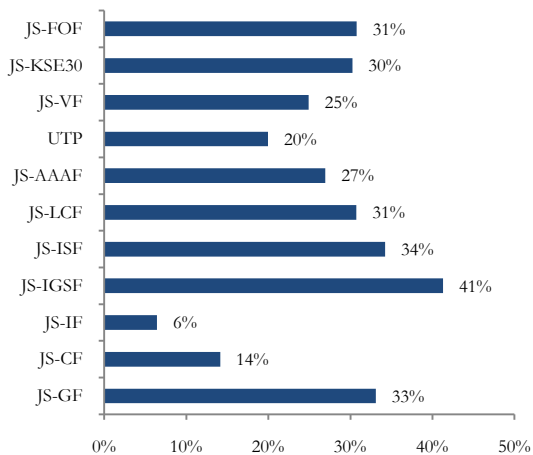
On a timeline basis, investor concentration levels have experienced some improvement across the funds; there is nevertheless significant room for penetration in the retail market. Retail investment mostly ranges at around 30% in the funds, with the exception of one fund, in which it is recorded at slightly over 40%. The management's focus is geared towards strengthening the retail outreach to grow its existing funds; additional funds are not planned to be launched. Recent changes at the regulatory level further underscore the importance of tapping the retail market to develop a sustainable investor base. Additional resources are being hired by JSIL 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 the results of these initiatives.

Overview of the Institution

Incorporated in 1995, JSIL is a public listed company with a license for investment advisory and asset management. The company also acts as a Pension Fund Manager under the Voluntary Pension System Rules, 2005. Financial statements of the AMC for CY13 were audited by M. Yousuf Adil Saleem & Co. Chartered Accountants JCR-VIS



Proportion of Retail Investment - June 30, 2014



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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>				
20-Aug-14	AM2-	Stable		Reaffirmed
26-Jun-13	AM2-	Stable		Reaffirmed
11-Jan-12	AM2-	Stable		Reaffirmed
27-Dec-10	AM2-	Stable		Initial