

## RATING REPORT

### Askari Investment Management Limited

**REPORT DATE:**

January 07, 2016

**RATING ANALYSTS:**

Jazib Ahmed

[jazib.ahmed@jcrvis.com.pk](mailto:jazib.ahmed@jcrvis.com.pk)

Moiz Badshah

[moiz.badshah@jcrvis.com.pk](mailto:moiz.badshah@jcrvis.com.pk)

#### RATING DETAILS

	Initial Rating
Rating Category	<b>MQR</b>
MQ Rating	AM3+
Rating Date	<i>Dec' 31, '15</i>

#### COMPANY INFORMATION

<b>Incorporated in May 2005</b>	<b>External auditors:</b> AMC – A.F. Ferguson and Co. Chartered Accountants Funds – KPMG Taseer Hadi & Co.
<b>Key Shareholders:</b>	<b>Chairman of the Board:</b> Mr. Badr-ud-din Khan <b>Chief Executive Officer:</b> Mr. Saqib Mukhtar
Askari Bank Limited – 99.99%	

#### APPLICABLE METHODOLOGY(IES)

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

## Askari Investment Management Limited

OVERVIEW OF THE AMC	RATING RATIONALE
<p>AIML is licensed to provide asset management and investor advisory services under the Non-Banking Finance Companies (NBFC) Rules, 2003 and NBFC and Notified Entities Regulations, 2008. The AMC operates out of three branches nationwide in Karachi, Lahore and Islamabad which includes the head office in Karachi.</p>	<p>Askari Investment Management Limited (AIML) operates as a private asset management company (AMC) providing investment management and advisory services to both institutional and retail clients. The AMC's product suite comprises both conventional and Shari'ah based products. Barring fund of funds investment, total assets under management (AUMs) amount to Rs. 8.0b at end-FY15 (FY14: 10.0b). These, further adjusted for associate investment, represent a market share of 1.9% (FY14: 2.3%).</p> <p>AIML is a wholly-owned subsidiary of Askari Bank Limited (AKBL) and part of Fauji Foundation (better known as Fauji Group). AKBL provides support to the company via investment in funds managed by AIML and through sales of collective investment schemes (CISs) through its branches. AKBL investment represented 24.7% of net assets at end-FY15 (FY14: 19.1%).</p> <p>The company currently manages seven CISs which includes two Shari'ah based ones. This does not include Separately Managed Accounts (SMAs) which amounted to Rs. 170m at end-FY15 (FY14: Rs. 61m). Board level and senior management instability coupled with poor performance of funds has resulted in withdrawal of assets by large institutional clients. Currently, the AMC is looking to reassert themselves in the market and enhance net assets managed. The same will require improved fund performance. Based on the declining interest rate scenario and limited upside in fixed income securities, retail investors have shifted towards equity and hybrid schemes. As such, the Askari High Yield Scheme (AHYS) (aggressive fixed income) has grown in size from Rs. 3.6b at end-FY14 to Rs. 5.2b at end-Oct'15. Corporate investors comprise a major portion of AUMs negatively impacting Top 10 investor concentration which is deemed a serious risk in all but two funds.</p> <p>Ratings of AIML are supported by the improvement in the organizational set-up and complete senior management team operating in the AMC. Over the last year and a half, the company has appointed a new Chief Executive Officer and Chief Investment Officer. The former, Mr. Saqib Mukhtar, Mr. Iqbal, the CIO has extensive experience in leading brokerage houses for over 15 years including managing the entire team. Mr. Iqbal was also responsible for developing the Research department which will provide valuable support to investment strategy. Based on the limited size of the company, several senior executives hold administrative Head of Department positions outside their field of experience. These are done on a temporary basis to ensure operational efficiency and the required personnel will be hired as the company expands.</p> <p>The AMC is currently looking to attain licensing to provide services as a Voluntary Pension Fund Manager, in both Islamic and Conventional. This will further increase the overall product suite available at AIML. A voluntary pension scheme (VPS) should perform well at AIML considering the substantial corporate relationships developed by the company and by sponsor.</p>

## JCR-VIS Credit Rating Company Limited

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

### Askari Investment Management Limited

FINANCIAL SUMMARY		Appendix I		
<b>ASKARI SOVEREIGN CASH FUND (ASCF)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		1,848	4,093	4,522
Return (%)		8.86%	8.07%	9.24%
Benchmark (%)		8.35%	8.88%	8.87%
Retail Proportion (% of Net assets)		8.5%	6.7%	9.7%
Ranking Against Peers		5 out of 22	15 out of 21	4 out of 17
<b>ASKARI HIGH YIELD SCHEME (AHYS)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		4,017	3,592	2,651
Return (%)		12.16%	11.63%	1.61%
Benchmark (%)		8.97%	9.83%	9.93%
Retail Proportion (% of Net assets)		23.1%	19.5%	10.5%
Ranking Against Peers		5 out of 8	4 out of 8	7 out of 7
<b>ASKARI ISLAMIC INCOME FUND (AIIF)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		651	519	679
Return (%)		6.52%	7.93%	8.74%
Benchmark (%)		6.41%	7.34%	6.65%
Retail Proportion (% of Net assets)		12.7%	26.5%	28.6%
Ranking Against Peers		10 out of 13	9 out of 13	
<b>ASKARI SOVEREIGN YIELD ENHANCER (ASYE)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		918	1,253	1,784
Return (%)		10.74%	8.83%	10.98%
Benchmark (%)		8.33%	8.90%	8.92%
Retail Proportion (% of Net assets)		41.7%	25.4%	28.5%
Ranking Against Peers		23 out of 28	9 out of 27	
<b>ASKARI ASSET ALLOCATION FUND (AAAF)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		304	292	264
Return (%)		15.40%	19.31%	39.87%
Benchmark (%)		7.85%	18.24%	22.73%
Retail Proportion (% of Net assets)		12.3%	12.1%	7.3%
Ranking Against Peers		7 out of 12	4 out of 12	1 out of 10
<b>ASKARI ISLAMIC ASSET ALLOCATION FUND (AIAAF)</b>		<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)		145	104	181
Return (%)		12.32%	12.53%	30.80%

## JCR-VIS Credit Rating Company Limited

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

<b>Benchmark (%)</b>	12.44%	17.21%	27.51%
<b>Retail Proportion (% of Net assets)</b>	17.8%	17.8%	8.6%
<b>Ranking Against Peers</b>	5 out of 5	4 out of 4	
<b><u>ASKARI EQUITY FUND (AEF)</u></b>			
	<b>FY15</b>	<b>FY14</b>	<b>FY13</b>
<b>Fund Size (in Rs. millions)</b>	158	102	150
<b>Return (%)</b>	17.59%	28.73%	42.07%
<b>Benchmark (%)</b>	5.67%	25.96%	35.95%
<b>Retail Proportion (% of Net assets)</b>	32.4%	13.2%	3.4%
<b>Ranking Against Peers</b>	13 out of 21	18 out of 23	16 out of 18

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix II**

**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.*

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

**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](http://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](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

## JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURE		Appendix III		
Name of Rated Entity	<b>Askari Investment Management Limited</b>			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	12/31/2015	AM3+	Stable	Initial
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.			
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2015 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.			