

RATING REPORT

ABL Asset Management Company Limited

REPORT DATE:

January 8, 2016

RATING ANALYST:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	MQR	MQR
MQ Rating	AM2	AM2
Rating Outlook	Stable	Stable
Rating Date	31-Dec-15	31-Dec-14

COMPANY INFORMATION

Incorporated in October 2007

External auditors: **KPMG TaseerHadi& Co. Chartered Accountants**

Unlisted Public Limited Company

Chairman of the Board: **Mr. Sheikh Mukhtar Ahmed**

Key Shareholders (with stake 5% or more):
Allied Bank Limited

Chief Executive Officer: **Mr. Farid Ahmed Khan**

APPLICABLE METHODOLOGY(IES)

JCR-VIS Entity Rating Criteria

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

ABL Asset Management Company Limited

OVERVIEW OF THE INSTITUTION

ABL Asset Management Company Limited (ABL AMC) is a public unlisted company incorporated in Pakistan in October 2007. It is a wholly owned subsidiary of Allied Bank Limited. ABL AMC has obtained licenses to undertake Investment Advisory Services and Asset Management Services under the NBFC Rules and NBFC Regulations.

RATING RATIONALE

ABL Asset Management Company Limited (ABL AMC) is a wholly owned subsidiary of Allied Bank Limited (ABL), the former has been in operations since 2007. ABL AMC is characterized by adequate board oversight and experienced senior management team, improving fund performance and satisfactory investment management process.

Assets Under Management (AUMs) of the company have remained at the same level as last year; retail percentage of the funds under management has improved on a timeline basis. Both the aforementioned aspects were primarily a result of funds being redeemed by corporate investors in order to pay reduced capital gains tax as opposed to higher dividend income tax; this was an industry wide occurrence. However, market share of the company has declined to 5.5%(FY14: 6.2%) at end FY15 after adjustment for associates and fund of funds. Although concentration of investors in AUMs continues to be high, the same has experienced minute improvement compared to last year.

The company has made significant headway regarding value added services and is in the final phases of implementing these services. These would assist clients in conducting transactions and help them in keeping abreast with their investments. These initiatives include a state of the art call center, ATM redemption facility and a smart phone application.

Due to the changing tax regime and restrictions placed by the government which has decreased incentives for corporations investing in mutual funds, ABL AMC has envisaged a retail push strategy. This strategy entails doubling of the sales team as well as opening of additional ABL AMC branches in key cities which would facilitate in increasing retail AUMs providing stability to growth in the same.

Performance of the funds has showcased improvement on a timeline basis; all funds having outperformed their respective benchmarks. Out of the 8 open end funds, 6 funds are featured in the top quartile whereas 2 funds are featured in the 2nd quartile as compared to peers. However, given the declining interest rate scenario, duration of certain fixed income funds was increased beyond internal limits in order to achieve aforementioned performance.

A formalized investment process is in place with all key management personnel represented on the Investment Committee (IC) with decision making being consensus based. Best practices in this regard warrant Head of Risk Management to be voting member on the IC. Discussion in the IC whilst keeping in view the internal limits will help in maintaining the asset allocation of funds within their risk parameters.

Risk Management and Compliance function have been segregated since the last review. Both of these functions report directly to the CEO. However given the size and complexity of the organization, oversight capacity of control functions may be improved further by hiring additional resources in the same.

JCR-VIS Credit Rating Company Limited

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

ABL Asset Management Company Limited

FINANCIAL SUMMARY			Appendix III
ABL Income Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	1,953	1,682	2,477
Return (%)	14.20%	8.19%	9.88%
Benchmark (%)	9.01%	9.82%	9.96%
Retail Proportion (% of Net assets)	40%	33%	37%
Ranking Against Peers	3/20	10/20	3/18
ABL Stock Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	2,256	1,114	783
Return (%)	27.11%	32.90%	55.87%
Benchmark (%)	5.67%	25.96%	35.95%
Retail Proportion (% of Net assets)	29%	24%	28%
Ranking Against Peers	7/21	11/23	4/19
ABL Cash Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	6,352	15,396	13,953
Return (%)	9.37%	8.18%	9.13%
Benchmark (%)	6.06%	6.57%	6.62%
Retail Proportion (% of Net assets)	17%	9%	8%
Ranking Against Peers	2/22	3/21	9/19
ABL Islamic Income Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	1,832	1,270	1,172
Return (%)	8.69%	8.88%	9.22%
Benchmark (%)	6.61%	6.78%	6.63%
Retail Proportion (% of Net assets)	69%	73%	73%
Ranking Against Peers	1/13	3/21	2/11
ABL Government Securities Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	9,185	4,395	1,839
Return (%)	15.14%	9.17%	11.79%
Benchmark (%)	8.00%	8.82%	8.84%
Retail Proportion (% of Net assets)	33%	20%	30%
Ranking Against Peers	4/8	2/7	2/6
ABL Islamic Stock Fund	FY15	FY14	FY13
Fund Size (in Rs. millions)	2,646	1,728	643
Return (%)	29.03%	24.67%	-3.24%

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Benchmark (%)	20.10%	29.89%	-2.30%
Retail Proportion (% of Net assets)	6%	7%	N/A
Ranking Against Peers	2/11	4/7	N/A
Launch date: June 2013			
<u>ABL Islamic Principal Preservation Fund</u>	FY15	FY14	FY13
Fund Size (in Rs. millions)	1,158	1,050	-
Return (%)	14.75%	5.82%	-
Benchmark (%)	11.82%	7.08%	-
Retail Proportion (% of Net assets)	23%	26%	-
Ranking Against Peers	2/11	N/A	-
Launch date: December 2013			
<u>ABL Islamic Principal Preservation Fund II</u>	FY15	FY14	FY13
Fund Size (in Rs. millions)	1,148	1,030	-
Return (%)	15.44%	2.79%	-
Benchmark (%)	11.92%	4.01%	-
Retail Proportion (% of Net assets)	15%	18%	-
Ranking Against Peers	1/11	N/A	-
Launch date: March 2014			

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 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

REGULATORY DISCLOSURE		Appendix V		
Name of Rated Entity	ABLAsset Management Company 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
	31-Dec-15	AM2	Stable	Reaffirmed
	31-Dec-14	AM2	Stable	Reaffirmed
	21-Jun-13	AM2	Stable	Upgrade
	10-Jan-13	AM2-	Positive	Maintained
	16-Sep-11	AM2-	Stable	Upgrade
	31-Dec-10	AM3+	Positive	Upgrade
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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