

## RATING REPORT

### ABL Asset Management Company Limited

**REPORT DATE:**

January 04, 2017

**RATING ANALYST:**

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**RATING DETAILS**

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM2+	AM2+ (Harmonized)
Rating Outlook	Stable	Stable
Rating Date	30-Dec-16	04-May-16

**COMPANY INFORMATION**

Incorporated in October 2007	External auditors: <b>KPMG Taseer Hadi &amp; Co. Chartered Accountants</b>
Unlisted Public Limited Company	Chairman of the Board: <b>Mr. Sheikh Mukhtar Ahmed</b>
Key Shareholders (with stake 5% or more): Allied Bank Limited	Chief Executive Officer: <b>Mr. Alee Khalid Ghaznavi</b>

**APPLICABLE METHODOLOGY(IES)**

JCR-VIS Entity Rating Criteria

Asset Management Companies (March 2016): <http://jcrvis.com.pk/docs/AMC-Methodology-201603.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. The Company has also obtained license to carry out business as Pension fund Manager under the Voluntary Pension System Rules.

#### Profile of Chairman

Mr. Sheikh Mukhtar Ahmed has over 55 years of experience in establishing and successfully managing various industrial and financial companies. Mr. Mukhtar joined the Board of Allied Bank in 2004 and the ABL AMC Board in 2008.

#### Profile of CEO

Mr. Alee Khalid Ghaznavi has sixteen years' of working experience with leading financial institutions including ABL, Habib Bank AG Zurich and National of Bank of Pakistan Limited in the area of Corporate and Investment banking.

#### Financial Snapshot

**Net Equity:** 9M16 – Rs. 1.51b; Dec'15 – Rs. 1.37b,  
**Net Profit:** 9M16 – Rs. 146m, Dec'15 – Rs. 194m

### RATING RATIONALE

**Market Share and Investor Base:** Market share of ABL Asset Management Company Limited (ABL AMC) in total industry Assets under Management (AUMs) decreased to 5.5% (FY15: 6.1%) while market share (ex- associate investment) increased to 5.9% (FY15: 5.5%) at end-FY16. AUMs (adjusted for fund of funds (FoF)) stood at Rs. 29.9b at end-November'2016 (FY16: Rs. 25.2b; FY15: Rs. 25.5b). In contrast to most peers, proportion of retail AUMs has remained stagnant at end-June'2016. Going forward, increasing proportion and granularity of retail exposures will remain management's key focus. To improve AUM profile, a number of initiatives including increasing size of sales force and introduction of alternate delivery channels are being undertaken by the management.

**Fund Offerings:** As at end-November'2016, ABL AMC had 10 Funds under management. Apart from aggressive income fund, product suite of the company caters to most investor needs and comprises money market, income, equity, allocations plans and pension fund schemes. During FY16, the company has launched Conventional and Islamic allocation plans. Going forward, Dedicated Islamic Equity Fund and Dedicated Islamic Income Fund are planned to be launched to cater to FoF investments.

**Management Team:** During 2016, senior management team witnessed turnover at two key positions of which CEO has been hired from the parent bank to spearhead the management function. The second vacant position is expected to be filled soon by the management. An experienced resource with relevant industry experience has also been hired for product development with reporting line to the CIO. Any changes in strategy with change at the helm will be tracked by JCR-VIS.

**Investment Management:** Investment Committee (IC) comprises CEO, CIO, CFO, Head of Research and Fund Managers. In line with best practices, Head of risk should also be inducted as a voting member of the IC. Overall investment process is formalized. A fund manager has been hired for managing SMAs with separate IC meetings conducted for strategy and monitoring SMA performance. SMA clients have had long-term association with the company.

**Fund Performance:** During FY16, (excluding Funds of Funds schemes and Pension Funds), fund performance of most funds featured in the first and second quartile. Peer ranking of ABL Cash Fund and ABL Islamic Stock Fund has witnessed noticeable improvement in the ongoing year (FY17 YTD). As one of the key rating parameters, JCR-VIS will continue to monitor the performance of assets under management across different asset classes over time.

**Control Functions:** Overall scope and functioning of the different control functions is adequate. However, risk function may enhance scope of coverage to include assessment of business risk and its impact on overall financial health of the AMC. Observations in the internal audit report, particularly pertaining to fund management were comprehensive and reflect detailed review undertaken by the Internal Audit Department. Moreover, scope of employee trading policy has been extended to cover indirect trading by employees.

Positive rating drivers for the company will include increasing market share while further enhancing retail penetration and granularity in line with higher rated peers. Moreover, fund performance will also have to meet JCR-VIS's criteria on a consistent basis. Improving and further strengthening control functions in line with growth in operations is also considered important.

## JCR-VIS Credit Rating Company Limited

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

### ABL Asset Management Limited

FINANCIAL SUMMARY			Annexure I
<b><u>ABL INCOME FUND (ABL IF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	3,737	1,953	1,682
Return (%)	7.20%	14.20%	8.19%
Benchmark (%)	6.54%	9.01%	9.82%
Retail Proportion (% of Net assets)	47%	40%	33%
Ranking Against Peers	9/20	2/19	10/20
<b><u>ABL CASH FUND (ABL CF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	2,603	6,352	15,396
Return (%)	5.80%	9.37%	8.18%
Benchmark (%)	3.81%	6.06%	6.57%
Retail Proportion (% of Net assets)	44%	17%	9%
Ranking Against Peers	7/22	3/21	3/21
<b><u>ABL ISLAMIC INCOME FUND (ABL IIF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	3,277	1,832	1,270
Return (%)	5.80%	8.69%	8.88%
Benchmark (%)	5.10%	6.61%	6.78%
Retail Proportion (% of Net assets)	65%	69%	73%
Ranking Against Peers	2/12	2/11	3/21
<b><u>ABL GOVERNMENT SECURITIES FUND (ABL GSF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	9,496	9,185	4,395
Return (%)	8.00%	15.14%	9.17%
Benchmark (%)	5.67%	8.00%	8.82%
Retail Proportion (% of Net assets)	23%	33%	20%
Ranking Against Peers	4/8	4/8	2/7
<b><u>ABL STOCK FUND (ASF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	3,194	2,256	1,114
Return (%)	9.90%	27.11%	32.90%
Benchmark (%)	0.37%	5.67%	25.96%
Retail Proportion (% of Net assets)	19%	29%	24%
Ranking Against Peers	8/19	7/20	11/23
<b><u>ABL ISLAMIC STOCK FUND (AISF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	2,525	2,646	1,728
Return (%)	5.60%	29.03%	24.67%
Benchmark (%)	15.53%	20.10%	29.89%
Retail Proportion (% of Net assets)	12%	6%	7%
Ranking Against Peers	14/16	2/11	4/7

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<b><u>ABL FINANCIAL PLANNING FUND (ABL FPF)</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<b>Fund Size (in Rs. millions)</b>	919	N/a	N/a
<b>Retail Proportion (% of Net assets)</b>	7%	N/a	N/a
<b>Associate Proportion (% of Net assets)</b>	68%	N/a	N/a
<b>Number of Investors</b>	69	N/a	N/a
<b>Launch Date: December 31<sup>st</sup> 2015</b>			
<b><u>ABL ISLAMIC FINANCIAL PLANNING FUND</u></b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<b>Fund Size (in Rs. millions)</b>	2,430	N/a	N/a
<b>Retail Proportion (% of Net assets)</b>	22%	N/a	N/a
<b>Associate Proportion (% of Net assets)</b>	26%	N/a	N/a
<b>Number of Investors</b>	459	N/a	N/a
<b>Launch Date: December 23<sup>rd</sup> 2015</b>			

### MANAGEMENT QUALITY RATINGS

**AM1:**

Asset manager exhibit Excellent management characteristics

**AM2++, AM2+, AM2:**

Asset manager exhibit Very Good management characteristics

**AM3++, AM3+, AM3:**

Asset manager exhibit Good management characteristics

**AM4++, AM4+, AM4:**

Asset manager exhibit Adequate management characteristics

**AM5:**

Asset manager exhibit Weak management characteristics

*For harmony in notations, single plus (+) or double plus (++) have replaced notation of plus (+) or minus (-) to indicate the relative degree of strength within each category.*

*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 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>ABL Asset Management Company 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
	30-Dec-16	AM2+	Stable	Reaffirmed
	4-May-16	AM2+	Stable	Harmonized
	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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