

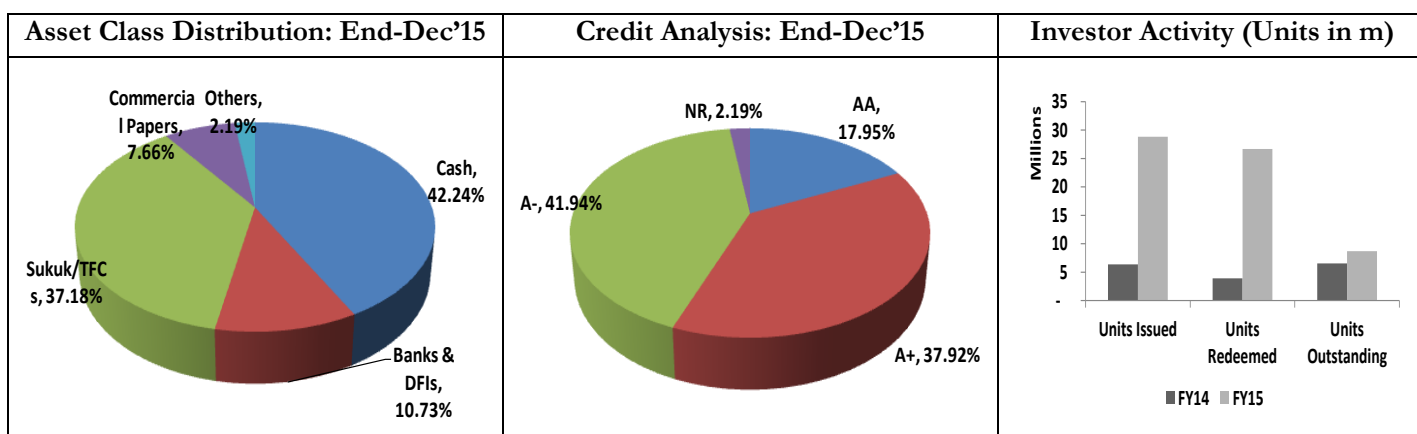
April 28, 2016

Analysts: Momina Masood
Jazib Ahmed - CFA

Investment Objective

FISGF seeks to provide maximum possible preservation of capital and a reasonable rate of return by investing in Shari’ah compliant money market and debt securities having good credit quality and liquidity.

Faysal Islamic Savings Growth Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	A(f)
	April 28, 2016	Jun 29, 2015
Management Company	Faysal Asset Management Limited	
External Auditors	Deloitte Yousuf Adil, Chartered Accountants	
Fund Manager	Hassan Bin Nasir	
Trustee	Central Depository Company	
Management Fee	1.50% per annum	
Front-end Load	Nil	
Benchmark	Average 6M deposit rate of 3 Islamic Banks	



Faysal Islamic Savings Growth Fund (FISGF) is a Shairah complaint, open ended mutual fund that is designed to provide investors a stable return by deploying resources in Shariah approved avenues. In line with the structured policy, the fund can invest its entire amount in Shariah Compliant Government backed securities or as deposits in banks with a minimum medium to long-term entity rating of ‘AA-’. Moreover, a minimum of 25% is to be maintained as Cash and Cash equivalents in order to address liquidity concerns relating to redemptions.

The Investment Committee (IC) comprises the CEO, Chief Investment Officer (CIO), Chief Operating Officer (COO), Fund manager, Head of Research, Head of Compliance and Internal Audit and Manager Risk. Decision making is done on voting basis (2/3 majority).

The positions of Manager Risk and Head of Compliance and Internal Audit have been vacant since May 2015 and January 2016 respectively.

Net Assets increased by 33% to Rs. 887m in FY15 as evidenced by increase in number of units outstanding to 9m (FY14: 7m). Following June 2015, net assets have been on a downward trajectory and amount to Rs. 641m at end December 2015.

Table 1: Operational Investment Policy

Description	Minimum Rating	Min- Max Exposure
Shariah Compliant Government Securities	AAA	0%-100%
Sukuks, Certificates of Investment, Commerical Papers based on Shariah compliant structures.	AA-	0-50%
	A+	0-10%
Bank Deposits, TDRs of various tenors in licensed; Islamic Banks/Development financial institution and licensed Islamic Banking windows of conventional Banks*	AA-	0-100%

*Minimum 25% of investment in Cash & cash equivalents

Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS Credit Rating Company Limited (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, 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. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. JCR-VIS is paid a fee for most rating assignments. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. Copyright 2016 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.

JCR-VIS Credit Rating Company Limited

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

Over the course of FY15, asset allocation has been altered to reduce the emphasis on cash as can be seen by its declining contribution and parking of funds in other avenues like Banks & DFIs and Corporate Sukuks. Previously over 70% of investment was made in Cash which has declined to around 42% in December 2015, but still makes up a considerable portion of the asset allocation. On the other hand, Banks and Sukuks allocation has increased to 11% and 37% in six months, respectively. The table below depicts the actual asset allocation.

Table 2: Asset Allocation of FISGF

	Dec 2015	Avg 6mFY16	15-Jun	14-Jun	Limits
Cash	42%	53%	74%	84%	25%-100%
Banks & DFIs	11%	11%			0-100%
Sukuk/TFCs/ Commercial Paper	45%	41%	25%	15%	0-50% (AA-) 0-10% (A+)
Others	2%	2%	1%	2%	

As per the investment policy statement, the maximum amount of 'A+' credit quality instrument that can be held is 10%, which is the lowest approved quality. However during the period under review, the fund had been holding over 20% of 'A+' credit quality. Furthermore, it had also parked over 50% of its resources in securities rated 'A-', which is below the allowed rating. Going forward, as per the management, funds have been shifted from 'A-' to 'A+' rated institution, limiting the exposure in 'A-' to a maximum of 15%. Although, overall credit quality has improved but the operational policy limits are still being breached.

Since the benchmark rate consists of 6 months deposit rates, actual duration is expected to remain under the defined limit of 180 days. As of FY15, duration had been 11.52 days. Weighted average time to maturity (FY15: 0.97 years), as of December 2015 was reported at 1.11 years which is capped at 4 years.

Table 3(a): Credit quality summary 6mFY16

Credit Quality	Average	Maximum	Minimum
AA+	0%	0%	0%
AA	7%	14%	0%
A+	23%	26%	15%
A	68%	75%	62%
A-	73%	73%	73%
NR	2%	8%	1%

Table 3(b): Credit quality summary FY15

Credit Quality	Average	Maximum	Minimum
AA+	4%	11%	0%
AA	14%	18%	7%
A+	28%	38%	24%
A	0%	0%	0%
A-	53%	59%	42%
NR	2%	2%	1%

Table 4(a): Risk summary 6mFY16

	Average	Maximum	Minimum
WAM (years)	1.1	1.2	1.0
Duration (days)	33.3	45.4	16.3

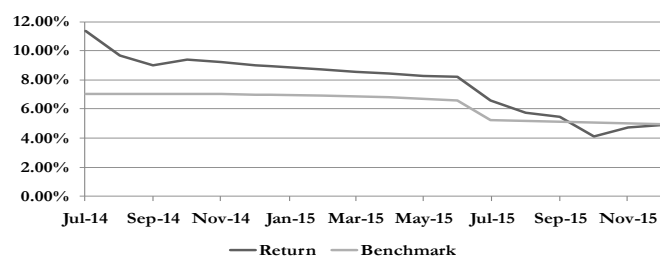
Table 4(a): Risk summary FY15

FY15	Average	Maximum	Minimum
WAM (years)	1.0	1.2	0.9
Duration (days)	25.2	39.5	11.5

Although the fund size declined, the portfolio remains concentrated at the high end as top 10 investors hold a 62%. The composition has varied as the share of retail has decreased to 37% and related parties' contribution has gone up to 21% in FY15 (FY14: Retail: 42%; Related parties: 13%). In addition to this, the total number of investors stood at 413, up by 27% (FY14: 325).

Table 3: Performance of the fund

	6M16	FY15	FY14
Return (%)	4.91	8.22	7.65
Benchmark (%)	4.94	6.61	6.92
Peer Average	5.16	7.34	7.92
Relative Ranking	6/10	3/10	8/10



The fund has continued to outperform the benchmark until it dipped in October 2015. As can be seen from the graph above, the fund has gone from marginally outperforming the benchmark to tracing the same. Compared to peers fund's performance has worsened over last 6 months, as indicated by its decreased relative ranking from 3rd to 6th fund out of 10 funds and the peer average of 5.16% surpassing the return of 4.91% posted by FISGF ^{JCR-VIS}

JCR-VIS Credit Rating Company Limited

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

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
	<u>RATING TYPE: Fund Stability Management Quality</u>			
28-Apr-16	A(f)			Reaffirmed
29-Jun-15	A(f)			Downgrade
2-Aug-13	AA-(f)			Reaffirmed
20-Nov-12	AA-(f)			Upgrade
20-May-12	A+(f)			Initial