



# DAWOOD MONEY MARKET FUND (DMMF)

## MUTUAL FUND RATING (APRIL 2006)

★★★★★

**FUND:** Dawood Money Market Fund

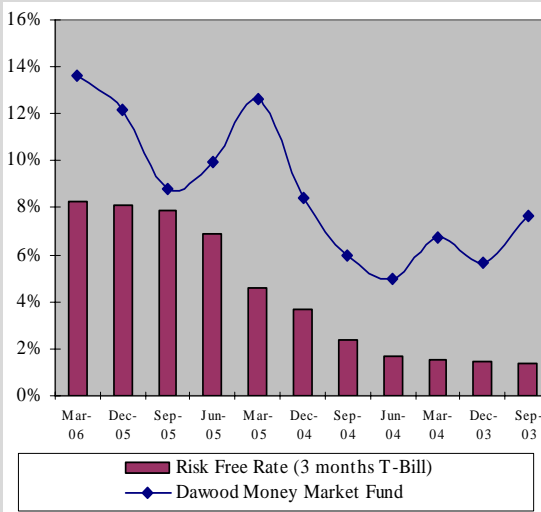
**FUND CATEGORY:** Income Fund

**LAUNCH DATE:** April 2003

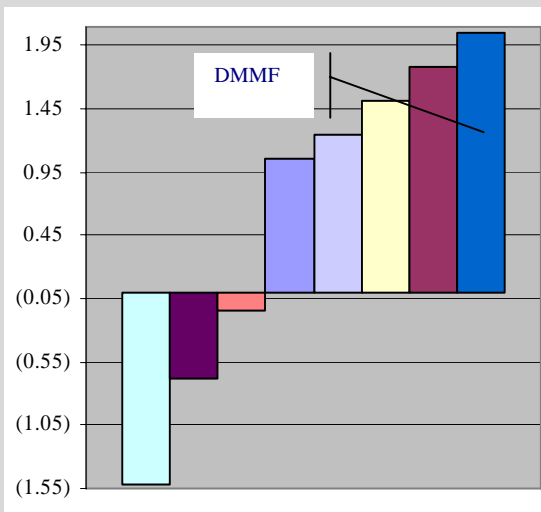
**ASSET MANAGER:** Dawood Capital Management Limited

**ASSET MANAGER RATING:** AM3 (by PACRA)

## SIMPLE ANNUALISED RETURN:



## SHARPE RATIO VS PEERS (31-Mar-06):



## RATING

DMMF has been assigned a 5-Star rating, which reflects a superior performance relative to its peers. The rating is a composite measure of three factors namely a) returns, b) risk associated with the returns measured by Sharpe Ratio, and c) credit quality of the assets. For computing return and risk, the performance of the fund during 11 trailing quarterly periods ended on Mar 31, 2006 has been considered and the credit quality has been evaluated based on the asset composition on that date.

## PROFILE

DMMF, an open-end scheme, was established under a Trust Deed executed between Dawood Capital Management Limited (DCM) as Management Company and Bank AL Habib Limited as Trustee. The Trust Deed was executed on April 08, 2003. DMMF commenced its business activities on April 18, 2003.

## ASSET MANAGER

DCM was incorporated in 1993 as a venture capital company, and listed on Karachi Stock Exchange. The company was acquired by the First Dawood Group in 1999. During 2003, the company changed its objective to undertake asset management and investment advisory business.

The sponsoring group is a branch of the reputable Dawood family, which is one of the leading business groups in Pakistan. The combined effective holding of the Group in the company is around 60%. Apart from First Dawood Investment Bank (FDIB), the sponsoring group also operates two leasing modarabas, and is further diversifying its operations through joint venture arrangements by setting up an Islamic Bank, Takaful Insurance and a Wind Power generation project. Asian Development Bank (ADB) has a 12.5% holding in the company, and has a representation on the BoD through a nominee director. The CEO of DCM, Ms. T. Uzra Dawood, has done her Doctorate of Juridical Science from Harvard Law School, and is holding this office since Apr04.

The head of Income Fund is an MBA, with over 10 years of experience in Pakistan's financial and capital markets. He is assisted by an Assistant Fund Manager, also having extensive experience in the money market operations.

DCM has an asset manager rating of 'AM3, which reflects the company's strong capacity to manage the risks inherent in asset management. DCM, in addition to DMMF, is also managing First Dawood Mutual Fund, a closed-end Fund, investing primarily in equity securities. The management is currently in the process of launching an Islamic Fund.

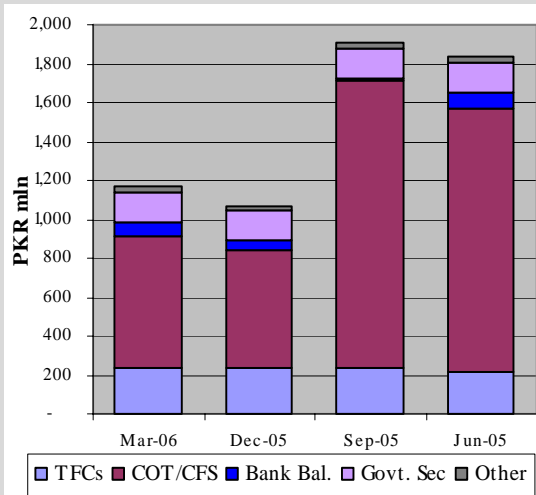
## PERFORMANCE

DMMF, over the years, has shown higher level of returns with greater consistency among peers. The Fund earnings have pre-dominantly been a function of financing against equity securities. This is currently in the form of Continuous Funding Systems (CFS), which replaced the previous system of Carry Over Transactions (COT) financing in August 2005. The liquidity crunch of the post March crisis of the stock market and uncertainty regarding continuity of COT depressed the returns in the second and third quarter of 2005. However, with the introduction of CFS, though capped at PKR 25bln, the decline has been arrested and the returns are again showing an inclining trend. There is also a continuing contribution from other assets like return on its TFC portfolio, money market placements, and bank deposits, including term deposits. DCM charges the lowest rate of management fee in the sector for management of DMMF. This, to some extent, has also contributed towards higher returns to the unit holders.

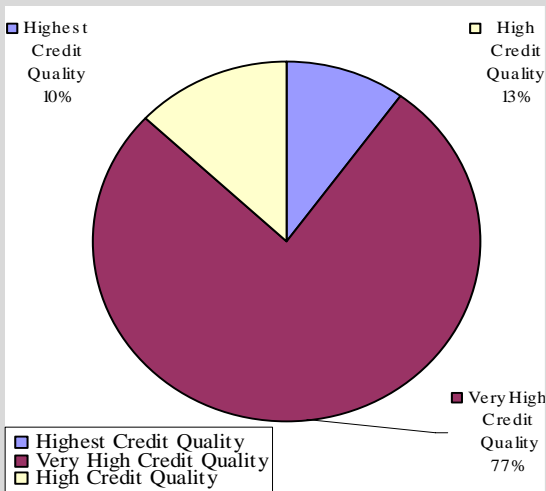
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**ASSET ALLOCATION:**



**ASSET QUALITY (31-Mar-06):**



**UNIT HOLDING PATTERN (31-Mar-06):**

Unit Holders' Category	%
Individuals	19.8
Financial Institutions	63.7
Others	16.5

**INVESTMENT METHODOLOGY**

The primary objective of DMMF is to provide better returns to the unit holders on consistent basis, as compared to other short-term investment options available in the market, while protecting investor's capital. The Fund invests in a mix of spread transaction, CFS, debt securities, COIs, money market instruments, and short-maturity reverse repurchase transactions. The focus of investment strategy is to protect capital by diversifying the investments and by managing maturities in a manner that reduces the interest rate risk. As a policy the Fund keeps the average duration of its investment portfolio at less than two years.

The investment process of DCM is clearly stated and the company adheres to stated investment policies. The Investment Committee (IC) comprising the CEO, Fund Manager, Assistant Fund Manger, Group Finance Director and AVP-Finance makes the investment/divestment decisions. The full IC meets every Monday afternoon, where the Fund performance is reviewed and investment proposals by the Fund Manager for the next week are evaluated, and an overall investment strategy is devised after detailed discussions. The IC decides the actual quantity and a range of prices for purchase and sales of securities. All transactions are executed by the Assistant Fund Manager, with the approval of CEO or the Group Finance Director.

**RESERACH**

The Research division has been newly established and thus provides limited contribution at present in the overall investment process. However, with experienced personnel involved in the IC, including the fund manager, and technical support from group companies, the decision making process remains objective and focused. Realizing the importance of building strong in-house research capabilities to facilitate portfolio management in the wake of increasing size of assets under management, the management plans to strengthen its research division through hiring additional analysts and developing requisite system and processes

**RISK MANAGEMENT & ASSET COMPOSITION**

The majority of the Fund's assets are deployed in Continuous Funding System (CFS), which given the highly liquid nature of the underlying securities and imposition of the settlement risk on the clearing-house involves a minimal credit risk.

In terms of risk management of investment in debt securities, the relevant credit rating is duly considered and as a policy the Fund refrains from investing in securities, carrying a long-term credit rating lower than 'A'. Meanwhile, the criteria for placements of funds with financial institutions is also well defined.

The management has devised effective policies and procedures to meet the redemption claims well before the stipulated time of 6 days allowed under the law. Meanwhile, the major proportion of funds being deployed in CFS, provides flexibility in meeting redemption claims. The Fund can also borrow funds by repo of the TFCs portfolio. The effectiveness of these policies was demonstrated in the last quarter of 2005, when the management effectively met redemption request from a major unit holder, well within the stipulated time.

**ANALYST**

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**RATING SCALE**

- ★★★★★ Superior Performance
- ★★★★ Good Performance
- ★★★ Average Performance
- ★★ Weak Performance
- ★ Poor Performance