



# DAWOOD MONEY MARKET FUND (DMMF)

## MUTUAL FUND RATING (APRIL 2008)

**NORMAL:** ★★★★★ (5-STAR)  
**LONG TERM:** ★★★★★ (5-STAR)

**FUND:** Dawood Money Market Fund

**FUND CATEGORY:** Income Fund

**FUND TYPE:** Open-end

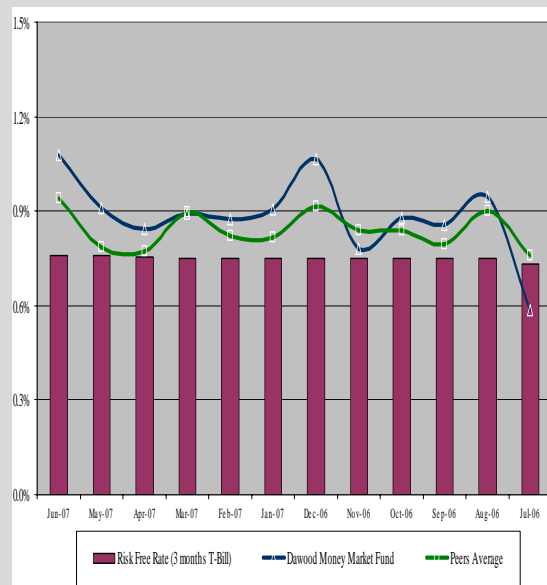
**LAUNCH DATE:** April 2003

**ASSET MANAGER:** Dawood Capital Management Limited

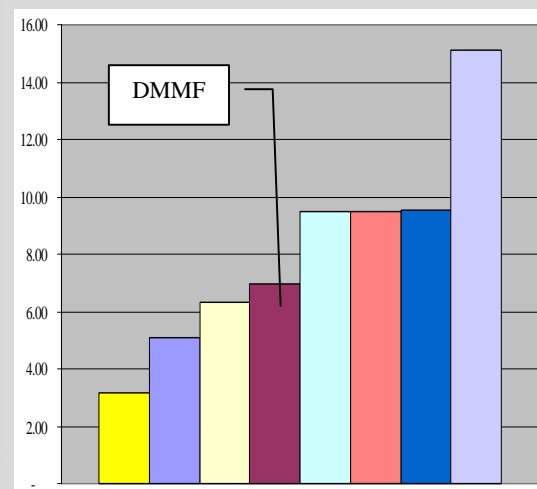
**ASSET MANAGER RATING:** AM3 (by PACRA)

**TRUSTEE:** Bank AL Habib Limited

## ABSOLUTE RETURN – MONTHLY:



## SHARPE RATIO VS PEERS (FY07):



## RATING

The star ratings measure the performance of the funds not only on the returns given by these funds over the period of analysis but also the risk – measured by variability in return over monthly periods. For Income or money market funds, the credit quality of the underlying assets is also considered in arriving at the overall rating. The rating of a fund is comparable only to ratings of other funds in the same category. An income fund means a fund that invests in interest-based instruments/securities and weighted average maturity of its assets is more than 90 days at all times.

Previously, DMMF was being classified as a money market fund. However, due to change in investment strategy leading to increase in the average duration of the fund’s assets above 90days, the fund is now being classified as an income fund. This is also in line with the investment objective stated in the fund’s trust document.

PACRA assigns two types of star ratings, differentiated on the basis of period of review; (i) normal star ratings based on performance during the trailing 12 months, and (ii) long-term star ratings based on performance during the trailing 36 months period.

Accordingly, DMMF has been assigned 5-star rating based on the performance during FY07. Meanwhile, a long-term rating of 5-star has also been assigned to the fund based on the performance during FY05 to FY07.

## ASSET MANAGER

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

The sponsoring group is a branch of 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 43%. Apart from First Dawood Investment Bank Limited (FDIB), the sponsoring group is operating a modaraba – BRR Guardian Modaraba (BGM). Recently, the Group has strengthened its standing in the financial sector by setting up an Islamic bank – Dawood Islamic Bank Limited – and a family Takaful insurance company. While majority holding in DCM is held by FDG, ADB and NIT also hold 12.5% and 9% stake in the company. The CEO of DCM, Ms. T. Uzra Dawood, a law graduate from Harvard Law School, is holding this office since Apr04. Recently, Mr. Adnan Siddiqui, having considerable experience in the asset management industry, has joined DCM as COO.

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

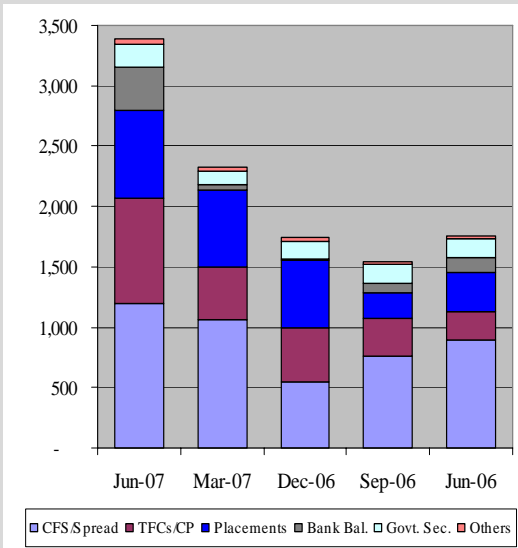
DCM has an asset manager rating of ‘AM3’. The rating reflects the company’s strong capacity to manage the risks inherent in asset management.

The company has three funds under management, having AUM of around PKR 5bln at end-Mar08. The other two funds are a open-end money market fund and an Islamic fund.

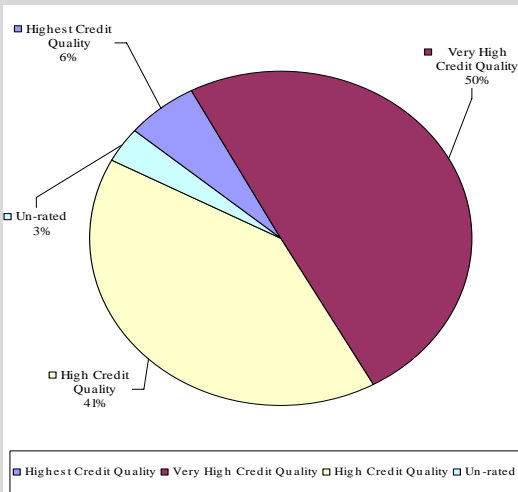
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**ASSET ALLOCATION:**



**ASSET QUALITY (end-FY07):**



**UNIT HOLDING PATTERN (end-FY07):**

Category	%
Financial Institutions	49.9%
Corporates	25.9%
Individuals	12.3%
Retirement Funds	9.2%
Associates	2.6%
Others	0.0%
<b>Total</b>	<b>100.0%</b>

**PERFORMANCE**

DMMF's assets experienced notable YoY growth during FY07. However, the expansion remained relatively less compared to growth achieved by some of the peer funds during the relevant period. The income from CFS financing continues to dominate the fund's revenue mix during FY07. However, its share in the total asset mix reduced towards the 2HFY07, owing to declining trend in return from this avenue. Meanwhile, the investment in TFCs increased notably, which, while enhancing its contribution towards the total revenue, also resulted in increased average maturity of the fund's assets. While the fund's performance in terms of absolute monthly returns is high among peers, it showed relatively greater volatility represented by a lower sharpe ratio. Meanwhile, on a longer horizon of 3 years, the fund exhibited superior performance among peers.

**INVESTMENT METHODOLOGY**

The primary objective of DMMF is to provide better returns to the unit holders on consistent basis, as compared to other fixed income investment options available in the market, while protecting investor's capital. The Fund invests in a mix of spread transaction, CFS, TFCs and Sukuk certificates, 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 committee (IC) comprises six members – 1) CEO, 2) CFO, 3) Fund Manager, 4) Head of Sales, 5) Manager Equity and Investment, and 6) AVP-Capital and Debt Market. The investment process is adequately structured with well-defined roles and responsibilities of the members of IC. The full IC meets every Monday afternoon. In this meeting, the performance of funds is reviewed and investment proposals by the fund managers for the next week are evaluated, and an overall investment strategy is devised after detailed discussions. Minutes, highlighting the broad investment decisions are prepared on regular basis. A sub-committee, comprising the CFO and AVP Capital and Debt Market, meets every morning to plan the purchase and sale of securities, within the limits prescribed by the IC. All daily sales and purchase transaction are approved by two of the CEO, Fund Manager, and the CFO.

**ANALYST**

Rana Muhammad Nadeem  
+92 42 5869504  
nadeem@pacra.com

**RATING SCALE**

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