



# METROBANK - PAKISTAN SOVEREIGN FUND – PERPETUAL [MSF – (P)]

## MUTUAL FUND RATING (FEBRUARY 2008)

**NORMAL:** ★★★★★ (4-STAR)

**LONG TERM:** ★★★ (3-STAR)

**FUND:** MetroBank –Pakistan Sovereign Fund –Perpetual

**FUND CATEGORY:** Income Fund

**FUND TYPE:** Open-end

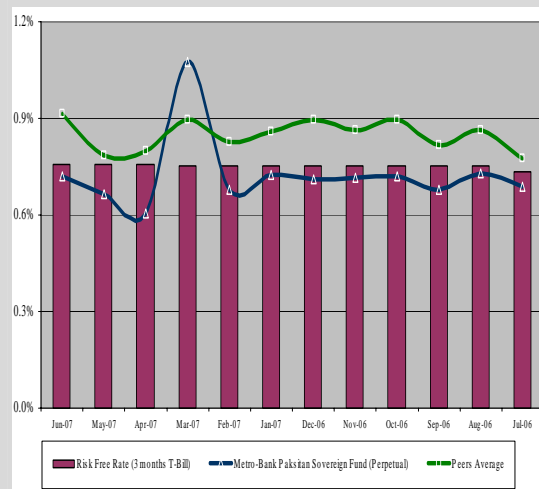
**LAUNCH DATE:** January 2003

**ASSET MANAGER:** Arif Habib Investment Management Limited

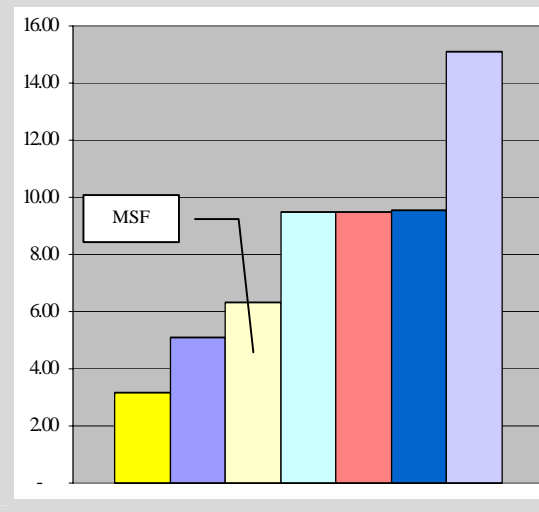
**ASSET MANAGER RATING:** AM2 (Positive outlook) (by PACRA)

**TRUSTEE:** Habib Metropolitan Bank Limited

## ABSOLUTE RETURN – MONTHLY



## SHARPE RATIO VS PEERS (FY-07)



## 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.

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.

MSF Perpetual has been assigned 4-star rating (normal) based on the performance during FY07. Meanwhile, a long-term rating of 3-star has been assigned to the fund based on the performance during FY05 to FY07.

## ASSET MANAGER

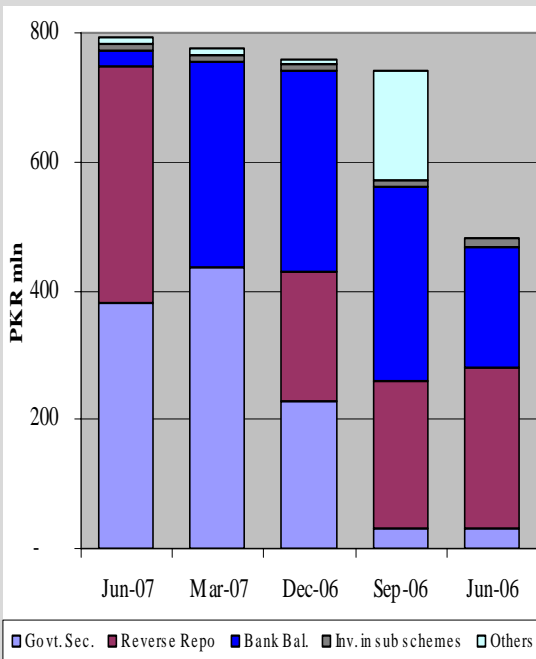
Incorporated in August 2000, AHIML is one of the largest private sector asset management companies in Pakistan. Arif Habib Securities Limited – the holding company for Arif Habib Group – holds majority stake (62%) in the company. The Group is engaged in investment, financial advisory services, brokerage, banking, private equity, cement, and fertilizer industries. Meanwhile, Arif Habib Bank is a new yet expanding commercial bank of the group.

The BoD of AHIML comprises eight members including four independent directors – having substantial experience in private and public sector organizations. The current Chief Executive of AHIML, Mr. Nasim Beg, a known figure in the country’s mutual fund industry, is a Chartered Accountant with over three decades of experience in the financial sector. The Fund Manager of PIF (Head of Debt and Money Market Funds) is reasonably experienced in evaluating, structuring and execution of fixed income products.

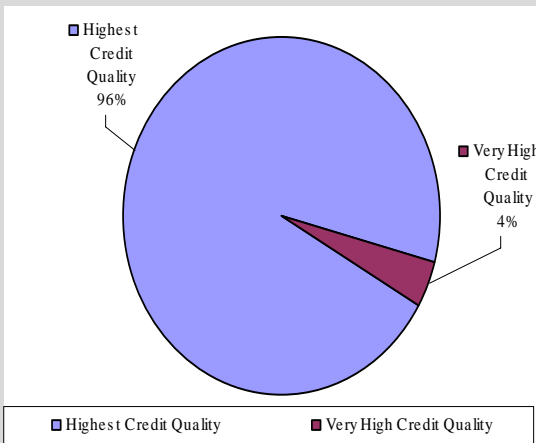
AHIML has an asset manager rating of ‘AM2’ with positive outlook, reflecting the company’s very strong capacity to manage the risks inherent in asset management. The company is catering to different investment objectives of a diverse client base through offering various types of funds, including equity, income, asset allocation, Islamic funds (Total funds at present: five open-end and three closed-end). In addition, the company has recently launched two pension schemes, each having three sub funds. The total assets under management of AHIML aggregated to over PKR 23bln as at end-Dec07.

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**ASSET ALLOCATION**



**ASSET QUALITY (30-Jun-07)**



**UNIT HOLDING PATTERN (30-Jun-07)**

Unit Holders' Category	%
Habib Metropolitan Bank Limited	99.83
Individuals	0.17

**PERFORMANCE**

The Fund remained invested in reverse repo transactions in government securities, bank deposits, and T. Bills for the first half of FY07, thereby having an average maturity of less than three month, as against its objective of investing in longer maturity instruments/transactions. Nevertheless, during the second half, a sizeable proportion of the assets (30% - 50%) were deployed in long-term PIBs, which though leading to increased volatility helped in increasing the monthly returns. The sharp upsurge in the Fund's return during the month of Mar-07 was attributable to decline in yields on PIBs. The average duration of the Fund's assets remained around one and a half year towards the end of FY07.

The Fund has exhibited good performance during FY07 [4-star rating (normal)]. However, over a longer-term time horizon of three years (FY05 to FY07), the Fund has shown average performance reflected by a long-term 3-star rating. This is attributable to the Fund's initial policy of investing only in Sub-schemes, which in turn invest in long-term government securities, implying a higher exposure to interest rate risk.

**INVESTMENT OBJECTIVES AND METHODOLOGY**

MSF is the only fund in Pakistan that provides investors the opportunity to invest in an underlying portfolio of government securities. MSF is a strategic alliance between Arif Habib Investment Management Limited and Habib Metropolitan Bank Limited. Presently, MSF consists of a perpetual scheme and one sub-scheme, i.e. MSF-December 2012. As at June 30, 2007, the assets under management (AUM) in perpetual scheme were PKR 794mln, whereas, the AUM in respect of 2012 sub-scheme were only PKR 0.67mln. Previously, the perpetual scheme could only invest in units of sub-schemes but through a change made in trust deed and offering document during 2005, it can directly invest in rupee denominated government securities and reverse repurchase transactions in these securities. Since then, MSF (P) has maintained nominal exposure in sub schemes.

The investment process of AHIML is structured and the company adheres to the stated investment policies. Investment Committee comprises (i) CEO, (ii) Chief Investment Officer, (iii) Head of Debt and Money Market Funds (the Fund Manager of MSF – P), (iv) Head of Equity Funds, and (v) Head of Research. CFO and Head of Operational Risk department also attend the meetings, as non-votive members. These meetings are normally held once a week and are also called by the Fund manager as and when an investment related (buy/sell) decision needs to be taken. Discussions are also held with representatives of HMBL on regular basis on the prevailing interest rate scenario and also before any major buy/sell decision.

**ANALYST**

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**RATING SCALE**

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