



JS ABAMCO LIMITED (JS ABAMCO)

Asset Manager Rating
JS ABAMCO Limited
 (formerly ABAMCO Limited)
 (December 2006)

AM2+

Assets Under Management
 (End-Sep06)

Fund / Category	Size (PKR mln)
Closed-end	
BSJS Balanced Fund Limited	1,813
UTP Large Cap Fund	3,500
UTP Growth Fund	5,721
	11,034
Open-end	
UTP	3,596
UTP Income Fund	3,427
UTP Islamic Fund	851
UTP AAAF	2,874
UTP Fund of Funds	171
UTP A30+ Fund	224
	11,143
	22,177

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SUMMARY

- The asset manager rating of JS ABAMCO has been upgraded to AM2+. The rating reflects JS ABAMCO’s leadership position in the asset management sector emanating from the established track record, diverse product base, experienced and well-qualified management team, and association with a financially strong group. At the same time, the company has strengthened its infrastructure in terms of research, risk management, distribution, and human resources. The management, capitalizing on the company’s considerably enhanced capacity, intends to expand assets under management while also launching a series of new funds.
- Incorporated in 1995, JS ABAMCO is the largest private sector asset management company in Pakistan, registered with the Securities & Exchange Commission (SECP) as investment advisor for closed-end funds and asset management company for open-end funds. It is a subsidiary of Jahangir Siddiqui & Company Limited (JSCL) (52% shareholding at end-FY06). Starting as a traditional securities firm, JSCL now functions as a holding company for Jahangir Siddiqui (JS) group for its interest within the financial sector. JSCL has a dynamic approach in identifying new growth opportunities with a proven ability to take quick but generally prudent investment decisions. JSCL enjoys a very strong market standing emanating from its reputation as a well-managed and strong entity carrying a long-term rating of ‘AA+’ from PACRA. Other institutional investors include AIM Global Venture Company and International Finance Corporation. The company is expected to be listed on the Karachi Stock Exchange through an offer for sale of 20% of the existing issued shares. The current Chief Executive of JS ABAMCO is a chartered accountant with considerable experience in related fields.
- JS ABAMCO offers a wide range of mutual funds with varying risk and return profiles, catering to a diverse set of individuals and institutional investors (Investor mix: 20% retail). The company is managing nine funds – six open-end and three closed-end. After launching a range of plain vanilla funds including balanced, income, equity, and Islamic, the company has embarked upon tilting its focus towards specialized products to tap specific investor needs. In line with this, the company has launched a fund of funds and an index fund. The index fund, UTP A30+, invests in the JS ABAMCO 30 Index stocks in proportion to their weightage in the Index. Going forward, the company plans to launch a series of specialized products – capital protected / guaranteed – mostly in strategic partnership with multinational and local banks. While negotiating with a known foreign index company, the management is in the process of launching a dual purpose – Islamic / index – fund. Although the target investor mix is likely to remain in the similar proportion, launching of these funds during CY07 would provide impetus for assets growth. At the same time, JS ABAMCO plans to start operations in the Middle East through forming a wholly owned asset management company – JS ABAMCO (U.A.E) Limited.
- The sales and distribution department comes under the umbrella of Strategic Planning & Business Development department (SPBD), which has been reorganized during the year. An experienced marketing professional was inducted as Director SPBD, who is presently being supported by a team of experienced personnel. Beginning FY06, sales and distribution functions have been segregated to ensure accountability and superior client service. For distribution of funds under management, distribution managers are being placed in each geographical region (South, Central North and Upper North). A proper hierarchy has been established which would not only provide career path for employees but also an effective structure to enhance sales. In addition to the existing external distribution partners, the company is in discussion with few other commercial banks to act as its distributors. The company is targeting rapid branch expansion and plans to expand the current network of 7 branches (including the head office) to 27 in the medium-term.
- JS ABAMCO’s research function has been strengthened during the year by hiring Head of Research and Product Development (previously conducted by the CIO). This has resulted in further improvement in the quality of investment recommendations. The research team reports to Head of Research and Product Development who in turn report directly the CEO so that research opinion remain independent from the fund management function.
- The company established an independent Compliance and Risk Management Department (CRMD) by hiring a professional as its Head (ex Joint Director, SECP). This alongwith adoption of Asset Manager Code of Professional Conduct developed by the CFA institute reinstates the management’s focus on improving corporate governance.
- JS ABAMCO has taken the lead in the development of IT infrastructure and systems by full automation of its operational processes through implementation of an integrated ERP (Enterprise Resource Planning) system for asset management operations during the year. Core modules that have been implemented include on-line Unit Management, Portfolio Management, General Ledger, Trustee, and Transfer Agent. Additionally the company is also facilitating its clients through alternative delivery channels including viewing of account statement through internet, emailing of daily NAV, and daily unit price update through SMS. These modules are fully integrated with each other. The ERP system has created synergies between various departments leading to a greater degree of integration in terms of data sharing, transparency and decision-making.

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