



**Rating Action**

Lahore (10-Jan-11)

**Analyst**

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**PACRA ASSIGNS STABILITY RATING TO ALFALAH GHP INCOME MULTIPLIER FUND**

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of ‘**BBB+(f)**’ (**Triple B Plus – Fund Rating**) to Alfalah GHP Income Multiplier Fund (AGIMF), an open-end income fund. The fund’s rating denotes an adequate capacity to manage relative stability in returns and high exposure to risks.

The rating reflects adequate credit quality of fund’s assets, low sectoral diversity in its TFC portfolio and relatively low liquidity profile due to very high allocation towards TFCs (~76%). The credit quality of the fund has experienced significant deterioration lately with non-performing instruments accounting for about 22% of net assets at end-Sep10. This may lead to downward pressure on return and impact its stability, incase restructuring efforts for the non-performing instruments do not materialize. The exposure against individual issuers is also high and poses greater counterparty risk if asset quality deteriorates any further. Although the unit holding pattern is highly concentrated with top ten investors holding around 98% of fund’s assets, comfort can be drawn from significant group/related party holdings. The rating also factors in low incidence of interest rate risk, evident from duration of 49 days at end-Sep 10.

Going forward, the fund plans to reduce exposure in TFCs to around 60% of net assets and subsequently invest in government securities and term deposits with schedule banks (rated AA). Main risk factors affecting the stability of returns emanate from provisioning for non-performing instruments and volatility in prices of TFCs, amidst largely illiquid market for this segment. The fund may be vulnerable to redemptions keeping in view highly concentrated unit holding pattern.

**About the Management Company:** Commencing operations in March 2005, Alfalah GHP Investment Management (AGIM) is a part of Abu Dhabi Group. The major shareholders of AGIM include Bank Alfalah Limited, GHP Arbitrium Holdings Switzerland and MAB Investments Inc. (a holding company of Dhabi Group, UAE). AGIM is rated ‘AM3’ with a Positive Outlook by PACRA and is currently managing seven open-end funds with total AUM of PKR 4.1bln at end-Nov10.

The CEO, Mr. Abdul Aziz Anis, CFA, has considerable experience in Pakistan’s capital markets and has been associated with AGIM since inception. Mr. Ather H. Medina, with a diverse experience in investment management, is Chief Investment Officer. The fund manager of AGIMF, Mr. Zeeshan Khalil, has adequate experience in managing fixed income portfolios.

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