



**Rating Action**

Lahore (09-Jul-10)

**Analyst**

Hammad Rashid  
(+92-42-3586 9504)  
Hammad.Rashid@pacra.com  
www.pacra.com

**PACRA ASSIGNS STABILITY RATING OF ‘BBB(f)’ TO KASB ISLAMIC INCOME FUND**

The Pakistan Credit Rating Agency (PACRA) has assigned a stability rating of ‘BBB(f) (Triple B – Fund Rating)’ to KASB Islamic Income Fund (KIIF), an open-end Shariah compliant income fund. The fund’s rating denotes an adequate capacity to manage relative stability in returns and high exposure to risks.

The fund primarily invests in Shariah compliant money market and debt securities and aims to provide a regular stream of income to its unit holders. The rating reflects fund’s modest credit quality, adequate sectoral diversification and low liquidity profile. Currently around 60% of fund’s assets are invested in Sukuk bond. The remaining portion comprises daily cash balances with Islamic banks. The fund has a high proportion of non-performing Sukuks, comprising more than one-fourth of net assets at end-May10. This may impact stability and quantum of return, incase restructuring efforts for the non-performing instruments do not materialize in a timely manner. The unit holding pattern is fairly concentrated with top five investors holding around 64% of fund’s units. However, comfort can be drawn from large investments by the sponsors in this fund.

Going forward, the fund plans to reduce exposure in debt instruments to 50%, in line with its historic asset allocation. The main risk factor affecting the stability of returns emanate from provisioning against non-performing instruments and price risk of Sukuks due to largely illiquid market for this segment. At the same time, the fund may be vulnerable to redemptions keeping in view highly concentrated unit holding pattern.

**About the Management Company:** KASB Funds Limited (KFL) is the management company for KIIF and has been rated ‘AM3+’ by JCR-VIS. The main sponsors of KFL are KASB Group and BlackRock Inc. KFL is currently managing five open-end mutual funds with aggregate AUM of around PKR 3.2bln at end-May10.

The management team of KFL consists of experienced and qualified personnel. The CEO, Ms. Naz Khan, has been associated with the company since inception and carries diverse experience in domestic financial markets. The fund manager of KIIF, Mr. Mir Taimur Ali, CFA, has also been associated with the company since inception. He is also involved in Investment Advisory and research functions at KFL.

**Disclaimer**

This press release is being transmitted for the sole purpose of dissemination through print/electronic media. The press release may be used in full or in part without changing the meaning or context thereof with due credit to PACRA

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA’s opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.