



## Rating Action

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## PACRA MAINTAINS STABILITY RATING OF LAKSON INCOME FUND

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of the Lakson Income Fund (LIF) at '**AA- (f) (Double A minus - fund rating)**', an open-end income fund. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The investment objective of the fund is to provide competitive total returns through investment in a diversified portfolio of T-Bills, term finance certificates (TFCs), deposits with scheduled banks, and money market placements. The rating reflects very high credit quality of the fund's assets and a strong liquidity profile. Moreover, at the same time, the rating incorporates the fund's very low exposure to interest rate volatility. The fund's low risk and strong liquidity profile largely emanates from the current asset mix, in which more than half the assets are invested in short term government securities. The remainder of the fund is invested in TFCs, TDRs and deposits with banks mainly rated 'AA' or higher. A high concentration in unit holding pattern keeps the fund vulnerable to redemption pressure. However, this is mitigated to a large extent by group companies having significant investments.

Going forward, the fund anticipates decreasing exposure in government securities, but keeping it above 30%, while increasing the allocation towards TFCs having a rating of A+ or above. At the same time, bank and money market placements would be kept around 25%, with high concentration of AA category rated entities/instruments. The main risk factor affecting the stability of returns emanate from volatility in prices of TFCs amidst largely illiquid market for this segment. Meanwhile, any major deviations from the proposed investment policy, significant change in credit quality of the assets, and sharp decline in size will be critical for fund's rating.

**About the Management Company:** Incorporated in January 2009, Lakson Investments Limited (LI) is the investment management arm of Lakson Group. Lakson has a presence in multiple sectors including, consumer non-durables, fast food, insurance, media, paper and board, printing and packaging, surgical instruments, technology, textiles, and travel.

The Chief Executive Officer, Mr. Babar Ali Lakhani, has investment management experience in local and foreign markets. LI is rated "AM3+" by PACRA. The company is currently managing three open-end funds launched in Nov09 - with total assets under management of PKR 5.29bln at end-Jun11. The Fund Manager of LIF, Mr. Muhammad Umair Chauhan, is also the CIO of LI and has extensive experience in the local asset management industry.

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