



Rating Action

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Analyst

Adnan Rasool
(+92-42-586 9504)
adnan.rasool@pacra.com
www.pacra.com

PACRA REVISES STABILITY RATING OF NAFA INCOME FUND

The Pakistan Credit Rating Agency (PACRA) has revised the stability rating of NAFA Income Fund (NIF) to '**A-(f) (Single A minus– fund rating)**' [Previous rating: 'A(f)' (Single A – fund rating)], an open-end income fund. The fund's rating denotes a strong capacity to manage relative stability in returns and low exposure to risks.

The fund primarily invests in money market and debt securities having good credit quality and aims to earn a competitive rate of return for its unit holders. The rating reflects good credit quality of fund's investments, adequately diversified sectoral concentration in assets and low exposure against interest rate volatility. The liquidity profile of the fund is low as the majority of fund's assets are invested in TFCs, ~84% at end-Nov10. The exposure against non-performing instruments is considerably high. However, the recent restructuring development coupled with regular payments for some large exposures bodes well for the fund. The unit holding pattern and segment wise exposure is highly concentrated.

The fund plans to reduce exposure in TFCs, going forward, and achieve an optimal mix between the debt securities, Government securities and term deposits with scheduled banks (rated A- and above).The main risk factor affecting the stability of returns emanate from volatility in prices of TFCs amidst 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. However, the comfort can be drawn from the large investment from sponsors.

About the Management Company: NBP Fullerton Asset Management Limited (formerly National Fullerton Asset Management Ltd.) (NAFA) is the management company for the NIF and has been rated 'AM2-' by PACRA. The main sponsors of NAFA are National Bank of Pakistan and Alexandra Fund Management Pte Limited (a member of Fullerton Fund Management Group, a wholly owned subsidiary of Tamasek Holdings, Singapore). NAFA is currently managing ten mutual funds, along with two discretionary portfolios, with an aggregate AUM of around PKR 15.65 bln as at end-Nov10.

The management team of NAFA consists of qualified and experienced personnel. Dr. Amjad Waheed, CFA, the CEO of NAFA, holds a Doctorate in Business Administration with majors in Finance/Investments, besides having extensive experience in the asset management industry. The fund manager of NIF, Mr. Ahmad Nouman, CFA, joined NAFA in 2008 as Fund Manager. He also has more than a year's experience in trading international financial instruments including U.S futures.

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