



Rating Action

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PACRA UPGRADES STABILITY RATING OF NAFA RIBA FREE SAVINGS FUND

The Pakistan Credit Rating Agency (PACRA) has upgraded stability rating of NAFA Riba Free Savings Fund (NRFSF), an open-end Islamic income fund to '**AA- (f) (Double A Minus - fund rating)**' [Previous rating: "A+(f)"]. The Fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The objective of the Fund is to provide preservation of capital and earn a reasonable rate of return along with a higher degree of liquidity by investing in short-term products of Shariah compliant banks, money market instruments and Government securities. The rating reflects strong credit quality of the Fund's assets and strong liquidity profile. At the same time, the rating incorporates fund's moderate exposure to interest rate volatility. Currently, a significant portion of Fund's assets comprises of GoP Ijara Sukuks (~71% at end- May11); the remaining portfolio is dominated by cash balances with Islamic banks carrying a minimum credit rating of 'A' & above. The unit holding pattern is fairly concentrated. The total fund size has increased to over PKR 360 mln at end-May11.

Going forward, more than 50% of the portfolio will remain invested in GoP Ijara Sukuks and the remaining assets will be in the form of TDRs and cash balances with high rated Islamic banks. The main factor affecting the stability of fund could be significant change in proposed asset mix towards low rated avenues increasing the credit and liquidity risks.

About the Management Company

NBP Fullerton Asset Management Limited (formerly National Fullerton Asset Management Limited] (NAFA) is the management company of NRFSF. NAFA is rated 'AM2-' by PACRA, with a 'positive outlook' on its rating. NAFA is a subsidiary of Pakistan's largest Bank, National Bank of Pakistan. The other major shareholder is Alexandra Fund Management Pte Limited (a member of Fullerton Fund Management Group, a wholly owned subsidiary of Temasek Holdings, Singapore). The company currently manages a diverse pool of 10 open-end funds and discretionary portfolios with total assets under management amounting to PKR 17.55 bln as at end-May11.

NAFA has a qualified and experienced management team. Dr. Amjad Waheed, CFA, CEO, holds a Doctorate in Business Administration with majors in Finance/Investments, and has extensive experience in the asset management industry. Mr. Usman Khan, fund manager of NRFSF, has qualified the CFA examinations. He joined NAFA in Aug 2009. In addition, the quality of risk management systems and internal controls of the management company are sound.

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