



The Pakistan Credit Rating Agency Limited

NBP FULLERTON ASSET MANAGEMENT LIMITED

RATINGS REPORT

	NEW [APR-17]	PREVIOUS [AUG-16]	REPORT CONTENTS
Asset Manager Rating	AM 1	AM 2++	1. PROFILE & GOVERNANCE
			2. ASSESSMENT
Outlook	Stable	Stable	3. SALES & MARKETING
			4. INVESTMENT DECISION MAKING
			5. RISK AND COMPLIANCE
			6. TECHNOLOGY & INVESTOR SERVICES

APRIL 2017

Profile & Governance

- NAFA was incorporated in August 2005. National Bank of Pakistan (NBP) is the major shareholder of NAFA with 54% stake, followed by Alexandra Fund Management Pte. Ltd - 36% stake.
- The company's nine-member BoD comprises the CEO, three representatives of NBP, two representatives of FFMG and three independent directors. The CEO, Dr. Amjad Waheed, CFA, holds a Doctorate in Business Administration; he has extensive experience in domestic and international capital markets spanning over 26 years.

Assessment

- Presently, the company is managing a diversified portfolio of twenty one open-end funds, two Voluntary Pension Schemes and several discretionary portfolios with AUM of PKR 100bln end Mar-17.
- Accumulation of AUMs witnessed a sharp increase of 100% in the recent period which resulted in an increase in the company's system share (i.e.14.47% at end Mar17 9.01% at end Dec15).
- NAFA's funds performed exceptionally well among its peers.
- The top10 concentration significantly improved and was at 45% at end-Jan17.

Sales & Marketing

- NAFA's marketing and distribution arrangements have been divided into two segments (i) Corporate Marketing and (ii) Retail Sales.
- NAFA has a well spread sales network of 6 regional offices in Karachi, Lahore, Islamabad, Peshawar, Hyderabad and Multan with head office in Karachi. The company has an exclusive arrangement with its sponsor bank (NBP) for marketing its funds through their branches.
- NAFA also has Islamic Saving Centers; 5 in KHI, 3 in ISL and 1 in LHR.
- Currently NAFA has a large sales team of 400 employees and the company plans to increase its sales team by 200 employees.
- In collaboration with summit bank, NAFA has launched Visa Debit card.

Investment Decision Making

- NAFA has a well-structured investment process and adheres to stated investment policies. The company convenes separate Investment Committees (IC), each for a) Fixed Income, b) Equity and c) SMA.
- Each IC comprises CEO, CIO, Head of Research along with Head of Fixed Income and Head of Equity accompanied by respective fund managers as permanent members.
- The research department is well equipped with an extensive data base pertaining to various macro and micro economic indicators and global and domestic industry specific trends.

Risk, Audit & Compliance

- Risk Management Department is responsible to identify, monitor, measure and report potential risks in the portfolio and guides the fund management in the portfolio management process.
- The Internal Audit Department is independent of the management and reports to the Audit and Risk Committee of the Board quarterly regarding its findings.
- NAFA has a separate compliance department headed by a qualified Chartered Accountant and reporting directly to the Chief Executive Officer.
- The Compliance department is mainly looking after the overall regulatory compliances of the Company.

Technology & Investor services

- NAFA is using in-house developed asset management application as its core business software. The application comprises modules required for the efficient execution of the core functions of the company.
- Investor Services Department (ISD) is responsible to handle communication to investors and for responding to all types of queries.
- NAFA has a well-structured disaster recovery system in place. Scheduled backup of all data takes place on a daily basis.

RATING RATIONALE

The rating reflects the company's positioning as one of the leading players in the domestic AMC industry supported by its proficient and well qualified management team, sound operating platform and diversified product slate. Low turnover in the key management positions has helped in building a cohesive culture. The management's increased emphasis towards asset allocation and FoF funds has resulted in continuous enhancement of retail penetration (at end-Dec 16: 32%) which lends support to the company's business profile. This comes as a result of concerted efforts to augment the marketing team and utilizing the distribution network of parent bank along with the continuous improvement in the investor facilitation services. The robust growth in the Shariah compliant segment resulted in its enhanced share in the AUM mix. A well-structured investment process and supportive decision making infrastructure has provided consistency to the good fund performance track record. The rating incorporates NAFA's association with a well-known fund management group and the country's leading commercial bank. Above factors contributed towards NAFA crossing PKR. 100bln AUMs recently.

KEY RATING DRIVERS

The rating is dependent on company's ability to sustain its fund performance. Strengthening its market positioning in line with its peers along with consistent enhancement in retail penetration remain important. Stability in key human resource, organic growth in AUMs and continuous advancement on the technological front will bode well for the company.

INDUSTRY

During CY16, the AMC industry experienced a massive increase of 28% in its AUMs. The growth was mainly led by the bullish momentum observed in the PSX during the second half contributing more than 90% of the overall AUM growth during this period. This consequently resulted in a rise in the asset base of equity funds increasing their system share. Low interest rate environment contributed towards the outflow of AUMs from fixed income category. The Fund of Funds and Asset Allocation Plans were the main focus of industry players and was successful in attracting sizeable fresh mobilization building a healthy share in the overall AUM mix. Lately, Shariah complaint investment schemes also gained popularity among the investors.

Financial Summary: NBP FULLERTON ASSET MANAGEMENT LIMITED (NAFA)								
Sr. #	Fund	Category	Asset Under Management		Return CY16 / Since Inception of Fund	Benchmark Return CY16 / Since Inception of Fund	Top 10 Investor Concentration	Performance Rankings/ Stability Ratings
			Dec15 (rupees in mln)	Dec16 (rupees in mln)				
1.	NAFA Active Allocation Riba Free Savings Fund	Shariah Compliant Income	Not Published	202	4.3%	4.1%	100%	A-(f)
2.	NAFA Asset Allocation Fund	Asset Allocation	1,459	2,331	35.9%	22.9%	36%	4-Star
3.	NAFA Financial Sector Income Fund	Income	1,105	793	6.1%	5.8%	49%	A+(f)
4.	NAFA Government Securities Liquid Fund	Money Market	3,724	4,734	5.7%	5.6%	69%	AAA(f)
5.	NAFA Government Securities Savings Fund	Income	343	158	5.4%	5.8%	69%	AA-(f)
6.	NAFA Income Fund	Income	604	842	6.6%	6.2%	99%	A(f)
7.	NAFA Income Opportunity Fund	Income	9,476	12,908	6.6%	6.2%	49%	A(f)
8.	NAFA Islamic Active Allocation	Shariah Compliant Equity	Not Published	3,878	52.8%	56.6%	99%	5-Star

	Equity Fund							
9.	NAFA Islamic Active Allocation Plan I	Shariah Compliant Fund of Funds	Not Published	978	36.3%	38.3%	59%	N/A
10.	NAFA Islamic Active Allocation Plan II	Shariah Compliant Fund of Funds	Not Published	809	31.6%	31.2%	54%	N/A
11.	NAFA Islamic Active Allocation Plan III	Shariah Compliant Fund of Funds	Not Published	1,504	18.7%	17.1%	50%	N/A
12.	NAFA Islamic Active Allocation Plan IV	Shariah Compliant Fund of Funds	Not Published	894	10.9%	13.6%	43%	N/A
13.	NAFA Islamic Active Allocation Plan V	Shariah Compliant Fund of Funds	Not Published	Not Published			34%	N/A
14.	NAFA Islamic Asset Allocation Fund	Shariah Compliant Asset Allocation	3,910	10,025	32.3%	23.1%	15%	4-Star
15.	NAFA Islamic Energy Fund	Shariah Compliant Equity	Not Published	2,711	45.7%	38.7%	30%	N/A
16.	NAFA Islamic Income Fund (Formerly; NAFA Islamic Aggressive	Shariah Compliant Income	1,407	2,566	6.2%	4.5%	44%	A-(f)

	Income Fund)							
17.	NAFA Islamic Principal Preservation Fund	Shariah Compliant Fund of Funds - CPPI	1,678	1,165	16.4%	16.3%	65%	N/A
18.	NAFA Islamic Principal Protected Fund I	Shariah Compliant Capital Protected Fund	1,651	409	21.0%	20.4%	63%	N/A
19.	NAFA Islamic Principal Protected Fund II	Shariah Compliant Capital Protected Fund	1,205	1,005	30.5%	27.4%	80%	N/A
20.	NAFA Islamic Stock Fund	Shariah Compliant Equity	1,899	6,022	45.4%	47.1%	34%	3-Star
21.	NAFA Money Market Fund	Money Market	4,141	12,233	6.3%	4.7%	68%	AA(f)
22.	NAFA Multi Asset Fund	Balanced	1,454	1,747	37.4%	26.2%	82%	5-Star
23.	NAFA Riba Free Savings Fund	Shariah Compliant Income	1,486	1,386	5.5%	4.1%	55%	A(f)
24.	NAFA Savings Plus Fund	Income	582	431	5.9%	5.0%	49%	AA-(f)
25.	NAFA Stock Fund	Equity	5,951	15,079	51.5%	42.7%	37%	5-Star



Regulatory and Supplementary Disclosure

Rated Entity

Name of Rated Entity
Sector
Type of Relationship

NBP Fullerton Asset Management Limited
 AMC
 Solicited

Purpose of the Rating

Regulatory Requirement

Rating History

Dissemination Date	Asset Manager Rating	Outlook	Action
	AM1	Stable	Upgrade
4-Aug-16	AM2++	Stable	Harmonized
31-Mar-16	AM2+	Stable	Maintain
6-Apr-15	AM2+	Stable	Upgrade
8-Apr-14	AM2	Stable	Maintain

Related Criteria and Research

Master Methodology:
 Specific Methodology:
 Research:

Asset Management Rating Methodology
 -
 Asset Management Sector Review -2016

Rating Analysts

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