



The Pakistan Credit Rating Agency Limited

Rating Report

Pak Oman Asset Management

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
10-Mar-2023	AM3++	-	Positive	Maintain	-
11-Mar-2022	AM3++	-	Positive	Maintain	-
06-Aug-2021	AM3++	-	Stable	Upgrade	-
15-Feb-2021	AM3+	-	Positive	Maintain	-
28-Aug-2020	AM3+	-	Stable	Maintain	-
28-Aug-2019	AM3+	-	Stable	Maintain	-
26-Feb-2019	AM3+	-	Stable	Maintain	-
28-Aug-2018	AM3+	-	Stable	Upgrade	-
08-Dec-2017	AM3	-	Positive	Maintain	-
08-Jun-2017	AM3	-	Positive	Maintain	-

Rating Rationale and Key Rating Drivers

Pak Oman Asset Management Company Ltd (or the "POAMCL") is a Non-Banking Finance Company incorporated on July 28, 2006 as a public unlisted company with the principal objective of acting as an investment manager for mutual funds. The prominent business acumen of the sponsor bodes well for the rating. The Company is eyeing to increase its market share in rapidly growing market. Currently the market share of the Company stood at 0.6% during CY22. However, the AUMs of the Company increased by 17% to PKR 9.3bln at the end Dec'22 (SPLY: 7.9bln). The number of retail client is 89% of mixed investors. The Fund performance of the Company remained adequate as 65% of the Fund underperformed the benchmark. Whereas, 35% of the Fund outperformed the benchmark.

On the financial side, the core income of the Company decreased by 25% to PKR 54mln at the end Dec'22 (SPLY: 72mln). The net profit of the Company stood at PKR 0.25mln at the end Dec'22 (SPLY: loss PKR -164mln). The equity of the Company stood at PKR 150mln in the end Dec'22 (Dec'21: PKR 149mln) which is below the regulatory requirement of PKR 230mln. However, Pak Oman Investment Company extend support to POAMCL by injecting equity which will help the company to meet its minimum regulatory requirement and will ensure proper execution of the business plan as desired.

The positive outlook assigned to the Company, reflects the growing AUMs, diversifying fund slate, retail penetration and sponsor's commitment to support equity base. The rating is dependent on the Company's ability to enhance its market position, gain in terms of assets under management and maintaining strong performance of its funds. Meanwhile, upholding high governance standards and strengthening of risk management is crucial for the rating.

Disclosure

Name of Rated Entity	Pak Oman Asset Management
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Assessment Framework Asset Manager Rating(Jun-22),Methodology Rating Modifiers(Jun-22)
Related Research	Sector Study Asset Managers(Jun-22)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Profile

Structure Pak Oman Asset Management Company Limited ("POAMCL" or "The Company") was incorporated on July 28, 2006 as a public unlisted company.

Background On 31st May 2017, 100% shares of Askari Investment Management Limited were acquired by Pak Oman Asset Management for an amount of PKR 551mln. The merger was successfully completed and effective from October 31, 2017. POAMCL is licensed to carry out asset management company and investment advisory services under NBFC Rules, 2003 and NBFC Regulations, 2008.

Market Share The market share of the Company stood at 0.6% at Dec'22.

Diversification Of Fund Mix The Company's diversified fund slate includes eight open-end funds, representing asset allocation, income, aggressive fixed income, money market, and other shariah compliant categories.

Investor Concentration The average top ten investors concentration stood at ~94.26%. The average related party holdings represents ~30.18% of total assets under management of the Company in the end Dec'22.

Ownership

Ownership Structure The Company is a majority owned subsidiary of Pak Oman Investment Company Limited (98%) and remaining shareholders include Oman International Development and Investment Company (0.84%), and Bank Muscat (0.43%).

Business Acumen The parent company, Pak Oman Investment Company Limited, was formed as a joint venture between the Governments of Pakistan and Sultanate of Oman in July 2000. Pak Oman Investment Company, along with its subsidiaries, provides corporate banking, investment banking and treasury services.

Financial Strength POAMCL derives its financial strength from Pak Oman Investment Company. Pak Oman Investment company is AA+ (long term) rated.

Governance

Board Structure The Company's board of directors comprise six members with three non-executive directors, one executive and two independent directors.

Members' Profile The board members have strong educational backgrounds and carry extensive diversified experience. The Chairman, H.H Juland Jaifer Salim Al-Said, successor of H.E. Yahya Bin Said has over 15 years of experience at the Oman Investment Authority (OIA) (Previously known as State General Reserve Fund), the largest sovereign wealth fund of the Sultanate of Oman in the areas of Private Equity, Real Estate, and Risk Management.

Board Effectiveness To ensure its effectiveness, the board has formulated the audit and HR and remuneration committees.

Transparency The internal audit function is outsourced to BDO & Co. Chartered Accountants. The external auditors are EY Ford Rhodes Chartered Accountants, which fall into the 'A' category of SBP audit firm rankings.

Management

Organizational Structure The organizational structure aligns with the operations of the Company. The Company operates through eight main departments which fall under the purview of the CEO except for the internal audit department which reports to the audit committee.

Management Team The Company's management team consists of qualified and experienced professionals. The CEO, Ms. Sadaf Kazmi holds a Masters degree in public administration and carries substantial experience of over a decade in the asset management industry.

Technology Infrastructure The Company had outsourced its back-office functions such as unit management, settlement and fund accounting to IT Minds Limited. It also has an in-house system for back-office functions. The modules also generate tailor-made MIS reports for analytical purposes.

Control Environment Internal Audit plan, approved by Audit Committee encompasses the review of internal control system which includes policies/procedures, physical safeguards, KYC/AML and monitoring of compliance function pertaining to NBFC regulations. The compliance and risk functions are not segregated and are overseen by one dedicated person.

Investment Risk Management

Credit Risk Internal assessment modules are used with a combination of qualitative and quantitative analysis. Excel based credit risk scorecards are in place which provide statistical estimates for counter party credit risk. The fund managers ensure the credit portfolio of the fund exposed to credit risk is broadly diversified.

Liquidity Profile The Company invests significant portion of the funds' assets in liquid investment avenues to maintain sufficient liquidity. The compliance department regularly generates liquidity reports along with common statistical tools like VAR analysis for assessing liquidity risks. The portfolio allocations are monitored on ongoing basis and matched to the approved allocation limits and any breach in exposure limit is reported to the investment committee in prompt manner.

Market Risk The Company has set appropriate metrics to measure its exposure to market risk factors such as sensitivity analysis and stress testing. The Company's management places special focus on monitoring exchange rates and global commodity prices and a macro-economic model has been developed in order to have a macroeconomic fundamental review regularly

Portfolio Management

IC Composition The investment committee comprises CEO, CFO, CIO, fund managers. Recently Mr. Muhammad Zubair appointed as the Chief Investment Officer. He will Lead Investment Management team. He has extensive experience of 10 years overall and with the company experience of 1 year managing Equity, Fixed Income, discretionary and non-discretionary portfolios.

Effectiveness The investment committee meets formally on weekly basis. However, daily informal meetings are held for making decisions pertaining to asset allocations and fund management.

Investment Research And Analysis The Company is using researches of top ten brokerage houses.

Customer Relationship

Investor Services The Investor Services Department provides investor education, personalized solutions, and client reporting. Retail customer outreach is expected to enhance by allowing investments in Company's mutual funds through the digital platform of Emlaak.

Investor Reporting In addition to publishing fund manager reports on monthly basis, the company also disseminates unit holder statement every month through email (subscribed) which comprises net asset value and month end closing values.

Distribution And Sales Network The Company has segregated the marketing and distribution department into two departments: i) Sales and Marketing which is responsible for the corporate sales, separately managed accounts and investor services ii) Retail Sales which is responsible for penetration into the retail market.

Performance

Asset Under Management The assets under management of the Company have shown an increase of ~16% and stood at ~PKR 9.3bln at end Dec'22 (Dec'21: PKR 8bln). The majority 65% of the Fund underperformed the benchmark. However, 35% of the Fund which is of Money Market and Income Categories outperformed benchmark.

Asset Manager The core income of the Company has decreased by ~25% and stood at PKR 54mln at the end Dec'22(SPLY: PKR 72mln). The Company reported net profit of ~PKR 0.25mln at the end Dec'22 (SPLY: ~PKR -162mln). The equity of the Company stood at PKR 150mln which has now come below the regulatory limit of PKR 230mln.



The Pakistan Credit Rating Agency Limited

PKR mln

PakOman AMC

Public Unlisted Limited

Dec-22

Dec-21

Dec-20

Dec-19

12M

12M

12M

12M

A BALANCE SHEET

1 Earning Assets	2	2	5	5
2 Non-Earning Assets	284	290	470	483
3 Total Assets	286	292	474	488
4 Total Borrowing	10	35	22	50
5 Other Liabilities	126	107	135	209
6 Total Liabilities	136	142	156	259
7 Shareholders' Equity	150	150	318	204

B INCOME STATEMENT

1 Investment Income	41	57	46	48
2 Operating Expenses	(49)	(64)	-	-
3 Net Investment Income	(8)	(7)	46	48
4 Other Income	13	16	-	-
5 Total Income	5	8	46	48
6 Other Expenses	-	(163)	-	-
7 Total Finance Cost	(1)	(2)	-	-
8 Profit Or (Loss) Before Taxation	3	(157)	46	48
9 Taxation	(2)	(3)	-	-
10 Profit After Tax	2	(160)	46	48

C RATIO ANALYSIS

1 INVESTMENT PERFORMANCE

Investment Income / Average AUMs	0.8%	1.2%	7.3%	7.5%
ROE	1.1%	-68.3%	17.6%	19.1%
ROA	0.6%	-41.7%	9.5%	9.7%

2 FINANCIAL SUSTAINABILITY

i. Coverages				
a. Total Borrowing / EBITDA	N/A	N/A	N/A	N/A
b. EBITDA / Finance Cost	N/A	N/A	N/A	N/A
ii. Capitalization				
a. Total Borrowing / (Total Borrowing + Shareholders' Equity)	6.2%	19.0%	6.3%	19.7%

Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	Very high quality. Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	High quality. Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	Good quality. Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	Adequate quality. Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	Weak. Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
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- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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- (19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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