



The Pakistan Credit Rating Agency Limited

Rating Report

Alfaluh Asset Management Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
30-Aug-2024	AM1	-	Stable	Upgrade	-
31-Aug-2023	AM2++	-	Stable	Upgrade	-
03-Mar-2023	AM2+	-	Stable	Maintain	-
03-Mar-2022	AM2+	-	Stable	Maintain	-
03-Mar-2021	AM2+	-	Stable	Maintain	-
08-Aug-2020	AM2+	-	Positive	Maintain	-
09-Aug-2019	AM2+	-	Positive	Maintain	-
08-Feb-2019	AM2+	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

Alfaluh Asset Management Limited's (the "AMC" or "AAML") is amongst the largest leading players in the AMC industry, supported by a strong control environment, structured investment processes, good governance framework, and qualified management team. The assigned rating takes into account improvement across key performance areas including investment management, fund performance, control framework, growth & diversity in assets under management and a strong brand name along with digital excellence. Alfaluh is currently managing a diverse fund slate of twenty nine funds under different categories, including CIS, voluntary pension scheme and exchange traded scheme. Considering the high interest rate environment during FY24, the fund slate is tilted more towards money market funds with ~74% of total assets concentrated in this category (Islamic and conventional). Since FY23, the AUMs base of the Company mounted significantly by ~85% to PKR 189bln as of FY24 (FY23: PKR 102bln), while the industry grew by ~67%. Resultantly, the market share increased to 7.1% as of FY24 (FY23: 6.5%). Since FY23, AMC has launched multiple plans under the fixed rate/return category both Islamic and conventional, which have contributed to the overall AUMs growth of AMC. The AMC remained high highly focused on increasing the retail penetration, which is adding stickiness and longevity in its AUM base. The current AUM mix depicts an adequate retail vs. corporate ratio of 43:57. inclusive of HNWIs. While the funds' performance remained well above satisfactory levels with majority of the funds performed positively in comparison to the benchmark. As an investment advisor, the AMC is managing 11 SMA accounts under a discretionary and non discretionary portfolio. The digital platform is also being strengthened for better retail penetration, enhanced customer services and to create synergies with the parent bank.

The management fee of the Company improved to PKR 245mln during 3MCY24 (3MCY23: PKR 95mln). The profit after tax stood at PKR 61mln during the 3MCY24 (3MCY23: PKR 31mln). The equity of the Company stood at PKR 1.9bln at the end Mar'24 (CY23: PKR 1.8bln), which is well above the minimum capital requirement. The ratings find comfort from the Company's association with Bank Alfaluh Limited and potential synergies due to the established presence of the sponsor bank's branch network. In Jun'24, the rating of Bank Alfaluh Limited was upgraded to "AAA" from "AA+". AUM inflows over the period reached ~32% of the total current AUMs enabled by the Bank.

Sustainable profitability, market share, and fund performance would provide support to the ratings. While materialization of the initiatives as represented by the management would remain imperative to the ratings.

Disclosure

Name of Rated Entity	Alfaluh Asset Management Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Assessment Framework Asset Manager Rating(Jun-24)
Related Research	Sector Study Asset Management Companies (AMCs)(Jun-24)
Rating Analysts	Madiha Sohail madiha.sohail@pacra.com +92-42-35869504



Asset Management Companies (AMCs)

The Pakistan Credit Rating Agency Limited

Profile

Structure Alfalah Asset Management Limited was incorporated on October 18, 2004 as an unlisted public limited company.

Background The Company was established as joint venture of Bank Alfalah Limited and GHP Arbitrium. Later on, GHP Arbitrium divested its stake in the asset manager.

Market Share Since Jun'23, the market share of the Company increased to 7.1% (Jun'23: 6%)

Diversification Of Fund Mix The Company is currently managing an extensive product slate of open-ended mutual funds in Sixteen different conventional and shariah-compliant categories and two VPS. The Company has recently launched Fixed Rate/Return plans to further strengthen its fund slate.

Investor Concentration Top 10 mutual fund investor concentration stood at ~13% and the average related party holding represents ~1% of total AUMs.

Ownership

Ownership Structure The current shareholding of the Company is held by MAB Investments Inc. (~59.8%) and Bank Alfalah Limited (~40.2%).

Business Acumen MAB Investments Inc. is one of the investment companies of H.H. Sheikh Nahayan bin Mubarak Al Nahayan, a member of the Abu Dhabi Ruling Family. Bank Alfalah Limited has a strong nationwide presence, enabling it to reach out to its target audience. It has a presence in 225+ cities, with 1,000+ branches including 350+ Islamic branches. It has international presence and is owned and operated by the Abu Dhabi Group.

Financial Strength Bank Alfalah Limited has an unconsolidated net assets base of ~PKR 148bln at end Jun'24. The long-term credit rating of Bank Alfalah Limited is 'AAA' and the short-term rating is 'A1+'.

Governance

Board Structure The Company's eight-member board comprises the CEO, two representatives of MAB Investments, two representatives of Bank Alfalah Limited. There are four non-executive and two independent directors.

Members' Profile Mr. Atif Bajwa is the chairman of the Board. He has an extensive international career spanning more than 40 years of executive leadership roles in banking, and of multiple boards and public interest positions. Mr. Bajwa received his education at Columbia University, New York.

Board Effectiveness ple boards and public interest positions. Mr. Bajwa received his education at Columbia University, New York. Board Effectiveness There are three committees at the board level, (i) Audit Committee, (ii) HR and Remuneration Committee and (iii) Risk Management Committee for effective monitoring and board assistance

Transparency The internal audit department is outsourced to M/s KPMG Taseer Hadi & Co. Chartered Accountants for effective monitoring of control systems. The external auditor of the company is M/s A.F Ferguson & Co. Chartered Accountants, which falls in the 'A' category of SBP Panel of Auditors.

Management

Organizational Structure The Company has a well-defined and formalized organizational structure, with appropriate departmentalization. It operates through nine departments, each with its well-defined and specific functions.

Management Team The management team comprises of experienced and qualified professionals. The CEO - Mr. Khuldoon Bin Latif has recently joined Alfalah AMC. Mr. Latif was associated with Faysal Asset Management Limited as its Chief Executive Officer (CEO). He has been associated with the capital markets for over 18 years. Saad Qureshi is the Chief Strategy Officer (CSO) with over 20 years of experience in the fields of strategy formulation execution, sales and business development, product structuring, marketing, investment advisory and HR management.

Technology Infrastructure The Company is in the process of replacing its old back-office system with a much improved and technologically advanced ERP system of DirectFN, which has separate modules as per the requirement of relevant departments for smooth functioning of operations.

Control Environment The compliance is being led by Mr. Shariq Mukhtar Hashmi. The Company has devised detailed policies to ensure compliance with all applicable statutory regulations and internal investment guidelines. The company uses excel based models to monitor the exposure limits and margins.

Investment Risk Management

Credit Risk The Company uses excel based credit risk models for credit risk monitoring with focus on qualitative and quantitative analysis. The Company has controls in place to ensure exposure limits.

Liquidity Profile The risk management department vigilantly monitors the liquidity profile of the Company. Sufficient liquidity is maintained by investing a significant portion of funds assets in liquid investment avenues.

Market Risk For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits are clearly communicated to portfolio managers along with periodic review of appropriateness of limit structure.

Portfolio Management

IC Composition The investment committee comprises of the Chief Executive Officer, Chief Investment Officer, Chief Finance Officer, Chief Compliance officer, Head of Equities, Head of Fixed Income, Head of Risk and Fund Managers.

Effectiveness The investment committee comprises of qualified and experienced professionals. The investment committee meets on weekly basis and reviews the investment strategy of each fund under management and its performance on regular basis to incorporate the impact of market circumstances on funds' performance

Investment Research And Analysis The research function operates under the supervision of Chief Investment Officer. The department uses various techniques including the fundamental analysis of key sectors and stocks to identify attractive investment avenues. For equity valuation, standard financial models are used and broker researchs also considered.

Customer Relationship

Investor Services The Company has provided its investors with an online platform which allows real time access to their accounts. The mobile app of the Company provides various value-added services such as fund NAVs, investment account details and E-transactions. The Company has also integrated the Alfa app to facilitate the account holders of Bank Alfalah

Investor Reporting The Company disseminates unit holder statement on monthly basis which comprises investment value and asset allocations along with dissemination and publication of FMR on its website in a timely manner. The customers are also provided with SMS and e-mail services for transaction alerts and NAV prices alerts.

Distribution And Sales Network The Company has a network of five investment centers spread across major cities of Pakistan. The Company is focused on to increase its retail customers by capitalizing the well-established branch network of Bank Alfalah with distribution agreements which relevant relationship managers are creating awareness in respective areas to increase sales.

Performance

Asset Under Management The total AUMs of the company stood at PKR 189bln as of FY24. Majority of the funds performed better than benchmarks.

Asset Manager The management fee of the Company improved to PKR 245mln during 3MCY24 (3MCY23: PKR 95mln). The profit after tax stood at PKR 61mln during the 3MCY24 (3MCY23: PKR 31mln). The equity of the Company stood at PKR 1.9bln at the end Mar'24 (CY23: PKR 1.8bln), which is well above the minimum capital requirement.

Fund's Performance | Alfalah Asset Management Company Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Return YTD (Jul'23 to Jun'24)		12 Months Fund vs. Benchmark
				Jun-24	Dec-23	Jun-23	Dec-22	Return	Bench.	
1	Alfalah GHP Money Market Fund	Money Market	26.4%	49,959	44,583	37,827	34,853	22.2%	20.9%	1.3%
2	Alfalah Islamic Rozana Amdani Fund	Shariah Compliant Money Market	29.9%	56,537	39,548	30,977	14,899	22.1%	10.3%	11.8%
3	Alfalah GHP Cash Fund	Money Market	3.1%	5,844	4,863	3,260	10,622	22.1%	20.9%	1.2%
4	Alfalah Islamic Money Market Fund	Shariah Compliant Money Market	14.6%	27,549	8,516	7,498		21.9%	10.3%	11.6%
5	Alfalah GHP Islamic Income Fund	Shariah Compliant Income	1.3%	2,533	1,972	2,182	3,170	21.1%	10.1%	11.0%
6	Alfalah GHP Islamic Value Fund	Shariah Compliant Asset Allocation	1.6%	2,974	3,404	2,449	2,104	24.3%	10.7%	13.7%
7	Alfalah GHP Income Multiplier Fund	Aggressive Fixed Income	0.7%	1,348	3,973	7,487	2,018	23.6%	21.7%	1.9%
8	Alfalah GHP Islamic Stock Fund	Shariah Compliant Equity	1.1%	2,121	1,701	1,252	1,263	93.4%	78.7%	14.7%
9	Alfalah GHP Stock Fund	Equity	1.0%	1,810	1,377	1,122	1,139	95.7%	89.2%	6.4%
10	Alfalah Stable Return Plan V	Fixed Rate / Return				2,613				
	Alfalah Stable Return Fund	Fixed Rate / Return		-		1,072	1,023	-	-	-
	Alfalah Stable Return Plan II	Fixed Rate / Return		-		849	877	-	-	-
	Alfalah Stable Return Plan VIII (Launch Date: Nov'23)	Fixed Rate / Return	0.5%	858	797			19.5%	20.4%	-0.9%
	Alfalah Stable Return Plan IV (Launch Date: Feb'24)	Fixed Rate / Return	1.6%	3,122				21.0%	20.4%	0.6%
	Alfalah Stable Return Plan IX (Launch Date: Feb'24)	Fixed Rate / Return	0.7%	1,394				20.8%	20.4%	0.5%
	Alfalah Stable Return Plan X (Launch Date: Apr'24)	Fixed Rate / Return	0.3%	552				21.3%	20.4%	0.9%
	Alfalah Stable Return Plan VI (Launch Date: Oct'23)	Fixed Rate / Return	0.7%	1,366	1,266			20.3%	20.6%	-0.3%
	Alfalah Stable Return Plan XI (Launch Date: Oct'23)	Fixed Rate / Return	0.7%	1,300				18.3%	20.4%	-2.1%
	Alfalah Stable Return Plan I	Fixed Rate / Return		-		579		-	-	-
11	Alfalah GHP Alpha Fund	Equity	0.5%	987	1,377	521	544	90.3%	89.2%	1.1%
12	Alfalah GHP Sovereign Fund	Income	2.0%	3,861	4,281	391	523	23.1%	21.7%	1.4%
13	Alfalah GHP Income Fund	Income	2.6%	4,868	2,462	390	507	23.7%	21.9%	1.8%
14	Alfalah GHP Value Fund	Asset Allocation	0.1%	201	242	265	354	58.4%	54.4%	4.0%
15	Alfalah GHP Islamic Dedicated Equity Fund	Islamic Dedicated Equity	0.0%	77				82.6%	78.7%	3.9%
16	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Balance Allocation Plan)	Shariah Compliant Fund of Funds	0.1%	169	157	187	179	28.2%	19.1%	9.1%
	Alfalah GHP Islamic Prosperity Planning Fund II (Alfalah Islamic Capital Preservation Plan VI)	Shariah Compliant Fund of Funds - CPPI		-	194	173	164	-	-	-
	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Active Allocation Plan II)	Shariah Compliant Fund of Funds	0.0%	20	76	83	91	54.7%	36.4%	18.3%
	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Moderate Allocation Plan)	Shariah Compliant Fund of Funds	0.0%	75	78	72	69	34.6%	21.8%	12.8%
	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Active Allocation Plan III)	Shariah Compliant Fund of Funds				17	2			
	Alfalah GHP Islamic Prosperity Planning Fund (Capital Preservation Plan IV)	Shariah Compliant Fund of Funds - CPPI		-		45	21	-	-	-
17	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Active Allocation Plan)	Fund of Funds	0.0%	73	60	35	43	57.4%	61.4%	-4.0%
	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Moderate Allocation Plan)	Fund of Funds	0.0%	35	24		34	40.6%	41.0%	-0.4%
	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Capital Preservative Plan- IV)	Fund of Funds	0.2%	421		222		2.8%	2.8%	0.0%
	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Conservative Allocation Plan)	Fund of Funds	0.1%	268	256		212	34.1%	31.9%	2.2%
18	Alfalah Islamic Stable Return Plan -II (Launch Date: Mar'24)	Shariah Compliant Fund of Funds	0.7%	1,417				22.0%	11.2%	10.8%
	Alfalah Islamic Stable Return Plan -IV (Launch Date: May'24)	Shariah Compliant Fund of Funds	0.6%	1,081				24.6%	11.2%	13.4%
19	Alfalah Islamic Sovereign Fund (Launch date: Sep'23)	Shariah Compliant Income	2.3%	4,264	11,874			20.7%	19.9%	0.8%
20	Alfalah Islamic Sovereign Fund (Alfalah Islamic Sovereign Plan II)	Shariah Compliant Income	2.9%	5,472	10,436			18.1%	19.6%	-1.6%
21	Alfalah KTrade Islamic Plan VII (Launch date: Aug'23)	Shariah Compliant Fund of Funds	0.0%	6	313			14.6%	9.5%	5.1%
22	Alfalah Financial Sector Income Fund (Launch date: Aug'23)	Income	1.9%	3,648	3,976			23.2%	21.8%	1.4%
23	Alfalah Financial Value Fund (Alfalah Financial Value Plan I) (Launch date: Oct'23)	Asset Allocation	1.5%	2,789	1,358	9		16.2%	15.7%	0.5%
24	Alfalah Consumer Index Exchange Traded Fund	ETF	0.0%	39	10	454	8			
25	Alfalah pension funds VPS (Islamic and Conventional)	VPS	0.1%	237			408			
Sum/Average:			100%	189,294	149,074	102,033	75,127			0.0%

Rating Team Statements

(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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- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
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- 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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- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
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- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
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- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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