



The Pakistan Credit Rating Agency Limited

Rating Report

Lakson Investments Limited

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
25-Aug-2023	AM2+	-	Stable	Maintain	-
26-Aug-2022	AM2+	-	Stable	Maintain	-
27-Aug-2021	AM2+	-	Stable	Maintain	-
28-Aug-2020	AM2+	-	Stable	Maintain	-
29-Aug-2019	AM2+	-	Stable	Maintain	-
27-Feb-2019	AM2+	-	Stable	Maintain	-
28-Aug-2018	AM2+	-	Stable	Maintain	-
22-Dec-2017	AM2+	-	Stable	Maintain	-

Rating Rationale and Key Rating Drivers

A strong ownership and governance profile of Lakson Investments Limited (the "Company") provides support to the assigned rating. The Company has a well-defined organizational structure, strong risk management framework, seasoned management team, innovative products and a structured investment process. The business strategy of Lakson Investments caters to the investment needs of institutional and high net worth investors. The Company has a diversified product slate comprising Private Equity Fund, Venture Capital Fund, Separately Managed Accounts and Open-Ended Funds, which distinguish it from other Asset Managers. The fund mix is tilted towards money market categories in-line with the peer universe. Lakson Investments is the only asset manager in Pakistan, which offers both domestic and internationally focused funds. The investor concentration at AMC level clocked in at 43% at end-Jun'23. The AUMs in terms of CIS witnessed a growth of 22.5% to stand at PKR 31.0bln at end-Jun'23 (Jun'22: PKR 25.3bln). However, the market share stood at 1.9% at end-Jun'23 (Jun'22: 2.0%). To augment its revenue stream, the Company is offering specialized investment products which includes Separately Managed Accounts with AUMs of PKR 87.45mln at end Jun'23 (Jun'22: PKR 9.46mln). The influx in SMAs is attributable to a new advisory account. The Private Equity (PE) and Venture Capital (VC) Funds are 100% drawdown and have a combined size of PKR 7.0bln out of which PKR 3.71bln pertains to PE and PKR 3.31bln to VC. The overall performance of the mutual funds remained competitive and exceeded the industry averages with top three ranking in the equity, money market and asset allocation categories. The Company remained profitable during the review period and has a well capitalized equity base. The rating also incorporates the Company's association with Lakson Group, a leading business conglomerate in Pakistan having investments in multiple sectors.

The rating is dependent on the Company's ability to strengthen its market position in terms of AUMs, sustaining superior fund performance and upholding robust investment framework. Meanwhile, diluting investor concentration and successful materialization of strategic investments is crucial.

Disclosure

Name of Rated Entity	Lakson Investments Limited
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-23)
Rating Analysts	Wajeeha Asghar wajeeha.asghar@pacra.com +92-42-35869504

Profile

Structure Lakson Investments Limited (the "Company") was incorporated as an unlisted public company in 2008.

Background Lakson Investments was registered as an asset management company January 2009 and started its operations in November 2009. The Company is also registered as Investment advisor. It is the only AMC in Pakistan that offers both domestic and internationally focused funds.

Market Share The Company's market share stood at 1.9% at end-Jun'23 (Jun'22: 2.0%). AUMs registered a growth of 22.5%; however, the market share declined by 5%.

Diversification Of Fund Mix The Company's fund slate comprises seven open-end funds belonging to all major categories of asset allocation, equity, income, shariah compliant asset allocation and money market.

Investor Concentration At end-Jun'23, average top ten investors concentration stood at 43% of total assets under management. The main focus of the Company is institutional clients comprising 76% and retail clients making up only 24% of total AUMs.

Ownership

Ownership Structure The Company is a wholly owned subsidiary of Lakson Group through its holding company, SIZA Services (Pvt.) Limited.

Business Acumen Lakson Group was established in 1954 and is owned by Lakhani family. It is among the leading business conglomerates in Pakistan and has interests in multiple sectors including financial services, paper and board manufacturing, printing and packaging, media, agri-business, consumer non-durables, fast food, information technology, surgical instruments and travel.

Financial Strength Lakson Group has robust financial standing as reflected by its diversified profitable businesses.

Governance

Board Structure The control of the Company vests in board members including the CEO. Presence of independent directors reflects well on the governance framework.

Members' Profile The Company's board is chaired by Mr. Iqbal Ali Lakhani, who is also the chairman of the Lakson Group. He holds extensive experience of over five decades in consumer marketing, finance, manufacturing industry and government relations. Board members carry diversified experiences (34 Years on average) in different business areas.

Board Effectiveness To ensure an effective control environment and compliance with reporting standards, the Company has constituted an Audit Committee and HR Committee at board level. The Board provides strategic guidance on relevant matters.

Transparency The internal audit function is outsourced to Grant Thornton Anjum Rahman, which reports to the Board Audit Committee on quarterly basis. The external auditors of the company are KPMG Taseer Hadi & Co. that stand in 'A' category of SBP's audit firm rankings.

Management

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

Management Team The senior management team comprises experienced and qualified professionals. The CEO, Mr. Babar Ali Lakhani, possesses research and portfolio management experience with domestic and international institutions. Mr. Kashif Mustafa, Executive Director, has more than a decade's experience of capital markets with local and international brokerage houses and leading asset management companies.

Technology Infrastructure The management has implemented Asset Connect software for portfolio management, unit holder accounting and general accounting.

Control Environment The risk management department has implemented comprehensive risk management guidelines for the management of credit, market and liquidity risk. For operational risk management, the Company has established and implemented a disaster recovery plan and a dedicated disaster recovery site in Karachi and Lahore. The Company operated smoothly during COVID outbreak due to its strong technological setup. The compliance function ensures adherence with all applicable internal and external rules and regulations.

Investment Risk Management

Credit Risk The risk management function assesses the credit worthiness of entities to monitor credit risk of existing portfolio and to identify new investment opportunities in debt instruments. The Company has developed models to rate debt instruments and issuers, which includes various qualitative and quantitative parameters for analyzing credit risk.

Liquidity Profile The Company has internal guidelines and limits for exposure in different avenues to manage liquidity risk. The compliance department ensures adherence to internal limits on daily basis and generates regular MIS.

Market Risk For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The Company has real time dashboards for monitoring currency depreciation, crude oil prices and other indicators having an impact on investment portfolio.

Portfolio Management

IC Composition The investment committee consists of CEO, COO, CIO, Head of Research, Head of Equities, Head of Fixed Income, Manager Compliance.

Effectiveness The investment committee meets twice a week and a separate meeting is held with focus on separately managed accounts. The PE and VC funds have dedicated teams as well, although certain team members are common to ensure synergies and share their expertise in local context.

Investment Research And Analysis The research department falls under the purview of the COO and the team is organized, primarily, by industry sectors. A customized software exists for equity valuation and credit research. The Company has access to Bloomberg terminal, which is integrated with the fund management department.

Customer Relationship

Investor Services The Company has a dedicated team headed by an experienced resource for investor services. A value added service namely "Asset Allocation Optimizer" is provided to investors enabling them to create own mix and match strategy for funds allocation among available investment avenues.

Investor Reporting The Company issues informative bulletins on daily basis and performance reports for the funds and separately managed accounts on a bimonthly/monthly basis as requested by the clients. A separate online portal access is provided to discretionary clients.

Distribution And Sales Network The Company has distribution arrangements with various third-party distributors. Training sessions are conducted for the new staff and a weekly meeting of the sales staff with the head of department is held.

Performance

Asset Under Management The Company's AUMs surged by 22.5% to stand at PKR 31.0bln at end-Jun'23 (Jun'22: PKR 25.3bln). However, the market share stood at 1.9% at end-Jun'23 (Jun'22: 2.0%). The money market fund performance during FY23 remained superior to benchmarks and industry peers. Lakson Asset Allocation Developed Markets Fund lagged in performance when compared with benchmarks, however, the fund tremendously exceeded the industry averages.

Asset Manager For diversifying the revenue stream, the Company is successfully running healthcare focused PE fund. The Company reported a revenue of PKR 197.6mln and PAT of PKR 22mln for 9MFY23 (9MFY22: PKR 214mln & PKR 27mln respectively). The Company has strong capitalization with equity standing at PKR 1.3bln at end-Mar'23, which is considerably higher than the regulatory requirement of PKR 230mln.

Fund's Performance | Lakson Investments Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mIn)					Returns Jun'23 12 Months			12 Months		Ranking & Stability Rating
				Jun-23	Mar-23	Dec-22	Jun-22	Dec-21	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark	
1	Lakson Money Market Fund	Money Market	77.7%	22,967	16,487	20,487	18,497	10,863	17.8%	15.3%	17.4%	2.5%	0.4%	AA+ (f)
2	Lakson Equity Fund	Equity	7.4%	1,465	1,893	1,958	2,343	3,224	8.2%	-2.9%	-0.2%	11.0%	8.4%	5-star
3	Lakson Islamic Money Market Fund*	Shariah Compliant Money Market	6.1%	3,988	2,378	1,599						-	-	AA (f)
4	Lakson Asset Allocation Developed Markets Fund	Asset Allocation	4.1%	1,416	1,181	1,091	1,015	979	22.2%	5.8%	34.5%	16.4%	-12.3%	4 star
5	Lakson Income Fund	Income	2.5%	576	566	668	2,618	3,799	9.4%	14.5%	18.3%	-5.1%	-8.9%	A+ (f)
6	Lakson Islamic Tactical Fund	Shariah Compliant Asset Allocation	1.0%	290	279	259	330	461	10.3%	6.1%	2.0%	4.2%	8.3%	3 star
7	Lakson Tactical Fund	Asset Allocation	1.1%	312	307	303	523	596	6.2%	5.8%	13.2%	0.4%	-7.0%	3 star
Sum/Average:			100%	31,013	23,091	26,364	25,326	19,923						

* Since Oct'22

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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- 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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