



The Pakistan Credit Rating Agency Limited

Rating Report

Lakson Investments Limited

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Rating History

Table with 6 columns: Dissemination Date, Long Term Rating, Short Term Rating, Outlook, Action, Rating Watch. Rows show historical ratings from 2018 to 2024, all with AM2+ Long Term Rating and Stable Outlook.

Rating Rationale and Key Rating Drivers

Lakson Investments Limited (the "Company") is supported by a strong ownership and governance profile, which underpins its assigned rating. The Company is characterized by a well-defined organizational structure, rigorous risk management practices, seasoned leadership, and a suite of innovative products. Its investment process is systematic and tailored to address the needs of institutional and high-net-worth clients, resulting in a relatively lower emphasis on retail investments. The Company offers a diverse portfolio, including Private Funds, Separately Managed Accounts, and Open-Ended Funds, differentiating itself from other asset managers. According to management, the Company has applied for a VPS license, anticipating significant growth in Assets Under Management (AUM) over the next five years. As of the end of FY24, AUMs in Collective Investment Schemes (CIS) increased by 49.9%, reaching PKR 46.5 billion, up from PKR 31.0 billion in FY23. The Company's market share remained stable at 1.9% as of 9MFY24. Separately Managed Accounts expanded to PKR 103.3 billion by FY24, compared to PKR 87.5 billion in FY23. Specialized funds, such as the Private Equity Fund and Venture Capital Fund, have delivered strong performance. The Private Equity Fund, with a focus on healthcare, reported AUMs of PKR 4.2 billion as of FY24 and acquired a majority stake in OMI Hospital during its investment phase. The Venture Capital Fund, which invests in early-stage tech startups, had a portfolio valued at PKR 3.3 billion and has committed to multiple ventures through shareholder and SAFE agreements. The Company's flagship funds Lakson Money Market Fund (LMMF) and Lakson Equity Fund (LEF) have been top quartile performers in their respective peer groups over the last 3 years, reflecting the Company's effective fund management capabilities. Meanwhile the Lakson Income Fund (LIF) AUM has increased by a massive 13.5x to PKR 7.8 billion and has generated a competitive return for unit holders. The Company also plans to advance its technological capabilities by developing an online portal to enhance account management, investment processing, conversions, and redemptions. Additionally, the rating reflects the Company's affiliation with Lakson Group, a prominent Pakistani conglomerate with investments across various sectors. The rating is contingent on the Company's ability to enhance its market position in AUMs, sustain superior fund performance, maintain a robust investment framework, and mitigate investor concentration risks

The rating depends on the company's ability to strengthen its market position in AUMs, maintain superior fund performance, and uphold a strong investment framework, while also reducing investor concentration.

Disclosure

Table with 2 columns: Field Name, Value. Fields include Name of Rated Entity (Lakson Investments 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).



## 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 ~2% (Jun'23: 1.9%). AUMs registered a growth of 48% and stood at PKR 46bln as of Mar'24 (Jun'24: PKR 39bln); however, the market share remained the same as of Mar'24.

**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'24, average top ten investors concentration stood at 87% of total assets under management. The main focus of the Company is institutional clients comprising 81% and retail clients making up only 19% 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 48% to stand at PKR 46bln at end-Jun'24 (Mar'24: PKR 46bln, Jun'23: PKR 31bln). The Islamic money market fund and Lakson Islamic Tactical Fund performance during FY24 remained superior to benchmarks. Lakson Asset Allocation Developed Markets Fund lagged in performance when compared with benchmarks.

**Asset Manager** For diversifying the revenue stream, the Company is successfully running healthcare focused PE fund. The C The Company has strong capitalization 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' mln)					Returns   Jul'23 to Jun'24   12 Months		12 Months
				Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Return	Bench.	Fund vs. Benchmark
1	Lakson Money Market Fund	Money Market	68.5%	31,864	33,408	33,936	32,220	22,967	22.6%	22.8%	-0.2%
2	Lakson Equity Fund	Equity	5.5%	2,537	2,387	2,269	1,715	1,465	80.4%	89.2%	-8.8%
3	Lakson Islamic Money Market Fund*	Shariah Compliant Money Market	3.4%	1,584	1,828	2,044	1,361	3,988	21.4%	10.3%	11.1%
4	Lakson Asset Allocation Developed Markets Fund	Asset Allocation	3.3%	1,539	1,522	1,494	1,458	1,416	11.6%	21.4%	-9.9%
5	Lakson Income Fund	Income	16.7%	7,785	5,940	4,752	744	576	16.0%	21.9%	-6.0%
6	Lakson Islamic Tactical Fund	Shariah Compliant Asset Allocation	1.2%	578	448	435	305	290	37.8%	24.7%	13.1%
7	Lakson Tactical Fund	Asset Allocation	1.3%	602	474	452	316	312	38.1%	50.1%	-12.0%
Sum/Average:			100%	46,489	46,007	45,382	38,119	31,013			



### **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)

### **2) Conflict of Interest**

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- 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

### **Restrictions**

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (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)
- (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)

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- (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).
- (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)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (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)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (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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- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (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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