



The Pakistan Credit Rating Agency Limited

Rating Report

NBP Fund Management Limited

Report Contents

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-Jun-2020	AM1	-	Stable	Maintain	-
24-Dec-2019	AM1	-	Stable	Maintain	-
27-Jun-2019	AM1	-	Stable	Maintain	-
28-Dec-2018	AM1	-	Stable	Maintain	-
30-Jun-2018	AM1	-	Stable	Maintain	-
08-Dec-2017	AM1	-	Stable	Maintain	-
21-Apr-2017	AM1	-	Stable	Upgrade	-
04-Aug-2016	AM2++	-	Stable	Maintain	-
04-Jul-2016	AM2++	-	Rating Watch	Rating Watch	-
08-Jun-2016	AM2++	-	Stable	Harmonize	-
31-Mar-2016	AM2+	-	Stable	Maintain	-
06-Apr-2015	AM2+	-	Stable	Upgrade	-

Rating Rationale and Key Rating Drivers

The rating reflects the Company's dominant position as one of the leading players in the asset management industry with a growing market share (Mar-20: ~19%; Mar-19: ~15%). The company has a seasoned management team, well-developed risk management function, established brand name, structured investment process along with diversified fund slate. Low turnover at key management positions leads to cohesive team. This bodes well for the company in maintaining its competitive positioning. The AUMs base of the Company grew significantly by ~42% as the Company focused on money market and fixed income categories. The Company has a large retail customer base with improving granularity resulting in stable AUMs. The fund performance has consistently shown good results when compared to industry peers. The Company's capitalization and fee generation capabilities provides cushion against market volatility. The Company remained profitable during 9MFY20 but profitability has declined on account of lower management fee as proportion of fixed income and money market fund increased. The rating incorporates the Company's association with a renowned bank - National Bank of Pakistan - and potential synergies.

The rating is dependent on the management's ability to sustain its market share. Upholding strong organization structure and controls along with retention of key personnel is imperative. Consistent superior fund performance remains imperative for the rating.

Disclosure

Name of Rated Entity	NBP Fund Management Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology AMC (Jun-19)
Related Research	Sector Study Asset Managers(Jun-20)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Profile

Structure NBP Fund Management Limited (“NBP Fund” or “The Company”) was incorporated in 2005 as a public unlisted company. The Company is licensed to carry out asset management and investment advisory services.

Background NBP Fund is one of the largest Asset Management companies in Pakistan with diversified product slate in conventional and shariah compliant categories. The Company also provides investment advisory services to high net worth individuals and corporate clients.

Market Share NBP Fund’s market share stood at ~19% at end Mar-20. The Company has further strengthened its market share when compared with Jun-19 (~17%).

Diversification Of Fund Mix The Company is currently managing a diverse product slate of twenty-seven funds in twelve different conventional and Shariah Compliant categories and two voluntary pension schemes.

Investor Concentration Top 10 investor concentration stood at ~57% at end Mar-20 and the average related party holding represents ~14% of total AUM.

Ownership

Ownership Structure National Bank of Pakistan is the largest shareholder of NBP Fund with a stake of ~54%, followed by Baltoro Growth Fund (~36% stake). The CEO of NBP Fund, Dr. Amjad Waheed, CFA, and family members, hold the remaining 10% stake in the Company.

Business Acumen Building on decades of expertise and sustained profitability, National Bank of Pakistan enjoys strong financial foundation and outreach across all regions of the country. It is one of the most recognized names in banking industry NBP has an extensive domestic and overseas branch network of 1,504 and 21 branches, respectively. Baltoro Growth Fund is a private equity fund focused on Pakistan.

Financial Strength With an asset base of ~PKR 3 tln at end Dec-19, the association with National Bank of Pakistan provides strong support and lend credence to NBP Fund.

Governance

Board Structure The Company’s nine-member board comprises the CEO, three representatives of National Bank of Pakistan, two representatives of Baltoro Growth Fund and three independent directors.

Members’ Profile The board carries diversified experience (28 Years on average) in different business areas, particularly banking and investment management. The presence of fintech entrepreneurs and advisors add a new dimension and may help the Company in advancing its digital platform.

Board Effectiveness There are three committees at the board level, (i) Audit and Risk Committee, (ii) HR and Remuneration Committee and (iii) Strategy and Business Planning for effective monitoring and board assistance.

Financial Transparency NBP Fund has an in-house internal audit department to monitor control systems. It reports quarterly to the audit committee of the Board regarding its findings and ensures compliance of corrective actions. The external auditors of the Company are Grant Thornton Anjum Rahman Chartered Accountants. They have provided an unqualified opinion on the Financial Statements pertaining to the period FY19.

Management

Organizational Structure NBP Fund has strong organizational structure and operates through thirteen departments. For smooth functioning, there are nine management committees headed by the CEO except for Operational & Financial Risk Management Committee, which is headed by the CFO.

Management Team The management team of NBP Fund comprises of experienced and qualified professionals. The CEO, Dr. Amjad Waheed, CFA, holds a Doctorate in Business Administration. He has extensive experience in domestic and international capital markets spanning over two decades. Mr. Sajjad Anwar, Chief Investment Officer, holds MBA in Finance and is a CFA Charter holder. He has been associated with the Company for more than eleven years.

Technology Infrastructure The Company is using an in-house developed asset management application as its core business software. The system has separate modules for equity and fixed income securities.

Control Environment The risk management department is being led by Mr. Salman Ahmad, CFA. The department ensures compliance with all applicable statutory regulations and internal investment guidelines. The department generates a variety of MIS reports that broadly covers all of the fund’s consolidated exposure status against the allowed limits. The Company has an independent compliance department that reports directly to CEO.

Investment Risk Management

Credit Risk The Company has an internal risk assessment software that generates variety of reports, and limits overall exposure as per defined limits.

Liquidity Profile The Company has a sound IT infrastructure that provides the liquidity status to the management team for arrangement of requisite liquidity. The Company maintains liquidity cushions for anticipated redemption requirements and strictly adheres to defined limits.

Market Risk The risk management department conducts regular sessions with the fund management department to deliberate on the prevailing industry dynamics and market conditions. NBP Fund manages market risk by monitoring exposure in marketable securities, following the internal risk management policies, and regulations laid down by the SECP.

Portfolio Management

IC Composition The investment decision making process is well-structured with the CEO providing critical support. The Company convenes separate Investment Committees (IC), each for fixed income and equity funds. Each committee comprises CEO, CIO and Head of Research along with the head of fixed income and head of equity accompanied by respective fund managers and head of risk as a permanent member.

Effectiveness The Investment Committee formally meets on weekly basis and the research department presents an investment summary to the committee.

Investment Research And Analysis The research department, which falls under the purview of CIO, is headed by Mr. Hassan Raza, CFA. He has over six years of experience in the equity research. Currently, his team comprises six well experienced and qualified research analysts. The fund performance is also monitored by the research department on a regular basis.

Customer Relationship

Investor Services NBP Fund offers online portal, mobile-app, I-Link and M-Net ATM services to facilitate its investors for online transactions. The Company has also setup a call centre for complaints resolution.

Investor Reporting The Company publishes the fund manager reports on its website in a timely manner that contain information pertaining to the Company, management, NAV history, fund performance, product characteristics and other important announcements.

Distribution And Sales Network Distribution and sales network of the Company comprises two segments (i) Retail and (ii) Corporate. The retail segment falls under the purview of CEO. NBP Fund has a large sales team of ~900 employees. The synergistic benefits derived from the association with National Bank of Pakistan is expected to support the growth in the retail segment.

Performance

Asset Under Management The AUM of NBP Fund increased by ~42%, to ~PKR 128 bln at end Mar-20 (Mar-19: ~PKR 90 bln). This growth is primarily driven by fixed income category as the management focused on this segment in rising interest rate environment. Majority of the funds performed considerably better, relative to its peers and benchmark.

Asset Manager The profitability of NBP Fund remained adequate during 9MFY20 and stood at PKR 133 mln (SPLY : PKR 171 mln). The Company has very strong capitalization with equity standing at PKR 1,046 mln at end Mar-20.

Fund's Performance | NBP Fund Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)			Return 9MFY20 (%)		Return 12 M Trailing (%) (Apr-19 to Mar-20)		Top Ten Investors Concentration	Ranking (Dec-19)/ Stability Rating (Dec-19)
				Mar-20	Dec-19	Mar-19	Return	Bench.	Return	Bench.		
1	NBP Money Market Fund (Formerly: NAFA Money Market Fund)	Money Market	28.3%	36,179	24,521	17,174	13.4%	12.6%	13.1%	12.2%	54%	AA
2	NBP Islamic Mahana Amdani Fund (Formerly: NBP Aitemaad Mahana Amdani Fund)	Shariah Compliant Income	21.0%	26,932	16,796	3,082	12.7%	6.3%	12.5%	6.0%	23%	A
3	NBP Stock Fund (Formerly: NAFA Stock Fund)	Equity	8.4%	10,758	15,243	14,532	-15.9%	-14.7%	-26.6%	-24.7%	54%	3 Star
4	NBP Financial Sector Income Fund (Formerly: NAFA Financial Sector Income Fund)	Income	8.3%	10,655	7,881	4,326	13.5%	13.5%	13.2%	13.2%	57%	A+
5	NBP Riba Free Savings Fund (Formerly: NAFA Riba Free Savings Fund)	Shariah Compliant Income	4.5%	5,811	5,203	6,113	12.1%	6.3%	11.9%	6.0%	28%	A
6	NBP Islamic Savings Fund (Formerly: NAFA Islamic Income Fund)	Shariah Compliant Income	3.3%	4,220	2,965	2,893	11.9%	6.3%	11.6%	6.0%	14%	A-
7	NBP Islamic Sarmaya Izafa Fund (Formerly: NAFA Islamic Asset Allocation Fund)	Shariah Compliant Asset Allocation	3.3%	4,212	5,934	9,144	-4.3%	-3.5%	-12.1%	-10.6%	17%	4 Star
8	NBP Income Opportunity Fund (Formerly: NAFA Income Opportunity Fund)	Income	3.0%	3,864	5,037	5,318	13.2%	13.5%	12.8%	13.2%	52%	A
9	NBP Islamic Daily Dividend Fund*	Shariah Compliant Money Market	2.9%	3,714	1,089	0	12.0%	5.6%	-	-	75%	AA
10	NBP Islamic Stock Fund (Formerly: NAFA Islamic Stock Fund)	Shariah Compliant Equity	2.4%	3,053	5,637	5,504	-15.1%	-16.8%	-26.8%	-28.8%	43%	3 Star
11	NBP Government Securities Liquid Fund (Formerly: NAFA Government Securities Liquid Fund)	Money Market	2.1%	2,723	2,134	2,196	13.1%	12.6%	12.5%	12.2%	77%	AAA
12	NBP Mahana Amdani Fund (Formerly: NAFA Savings Plus Fund)	Income	1.7%	2,198	2,281	408	13.3%	13.5%	12.9%	13.2%	43%	AA-
13	NBP Islamic Money Market Fund(Formerly: NAFA Islamic Money Market Fund)	Shariah Compliant Money Market	1.7%	2,118	3,262	402	12.7%	5.5%	12.2%	5.2%	66%	AA
14	NBP Balanced Fund (Formerly: NAFA Multi Asset Fund)	Balanced	1.0%	1,283	1,559	1,555	-3.0%	0.7%	-9.8%	-4.3%	90%	4 Star
15	NBP Savings Fund (Formerly: NAFA Income Fund)	Income	0.9%	1,213	1,069	995	12.7%	13.5%	12.4%	13.2%	83%	A
16	NBP Sarmaya Izafa Fund (Formerly: NAFA Asset Allocation Fund)	Asset Allocation	0.9%	1,118	1,436	2,414	-2.6%	0.5%	-9.7%	-4.6%	49%	3 Star
17	NBP Government Securities Savings Fund (Formerly: NAFA Government Securities Savings Fund)	Income	0.5%	660	688	1,689	21.0%	13.3%	17.9%	12.9%	48%	AA-
18	NBP Financial Sector Fund (Formerly: NAFA Financial Sector Fund)	Equity	0.5%	585	848	1,315	-19.7%	-14.7%	-25.6%	-24.7%	85%	4 Star
19	NBP Islamic Energy Fund (Formerly: NAFA Islamic Energy Fund)	Shariah Compliant Equity	0.3%	358	649	936	-26.1%	-16.8%	-36.7%	-28.8%	22%	2 Star
20	NBP Government Securities Plan I	Income	0.2%	284	272	378	17.2%	13.3%	13.2%	13.0%	95%	AA-
21	NAFA Islamic Capital Preservation Plan I	Shariah Compliant Fund of Funds - CPPI	0.2%	230	423	961	2.8%	1.4%	2.5%	0.1%	54%	-
22	NAFA Islamic Capital Preservation Plan III	Shariah Compliant Fund of Funds - CPPI	0.2%	211	293	559	2.2%	0.6%	0.6%	-2.0%	29%	-
23	NAFA Islamic Capital Preservation Plan II	Shariah Compliant Fund of Funds - CPPI	0.2%	196	269	509	3.0%	1.2%	1.0%	-1.8%	33%	-
24	NAFA Islamic Capital Preservation Plan IV	Shariah Compliant Fund of Funds - CPPI	0.1%	150	176	371	1.7%	0.7%	-0.2%	-2.1%	59%	-
25	NAFA Islamic Active Allocation Plan V	Shariah Compliant Fund of Funds	0.1%	124	216	453	-4.2%	-4.5%	-11.5%	-12.1%	55%	-
26	NAFA Islamic Active Allocation Plan VIII	Shariah Compliant Fund of Funds	0.1%	122	180	464	-9.5%	-11.4%	-11.4%	-13.3%	65%	-
27	NAFA Islamic Active Allocation Plan VI	Shariah Compliant Fund of Funds	0.1%	122	208	314	-4.8%	-5.5%	-11.8%	-12.8%	72%	-
28	NAFA Islamic Active Allocation Plan IV	Shariah Compliant Fund of Funds	0.1%	117	160	331	-3.9%	-4.5%	-11.3%	-12.1%	82%	-
29	NAFA Islamic Active Allocation Plan III	Shariah Compliant Fund of Funds	0.1%	110	136	436	-3.9%	-4.6%	-11.1%	-12.1%	73%	-
30	NAFA Islamic Principal Protected Fund II	Shariah Compliant Capital Protected Fund	0.1%	106	119	115	4.1%	2.1%	2.3%	-0.6%	96%	-
31	NBP Islamic Regular Income Fund (Formerly: NBP Aitemaad Regular Payment Fund)	Shariah Compliant Asset Allocation	0.1%	95	120	116	-6.9%	-6.0%	-14.5%	-16.2%	100%	4 Star
32	NBP Islamic Capital Preservation Plan V	Shariah Compliant Fund of Funds - CPPI	0.1%	89	111	227	0.7%	0.5%	-1.9%	-2.8%	51%	-
33	NAFA Islamic Active Allocation Plan VII	Shariah Compliant Fund of Funds	0.0%	30	42	110	-10.2%	-10.3%	-16.9%	-17.4%	87%	-
34	NAFA Islamic Active Allocation Plan II	Shariah Compliant Fund of Funds	0.02%	19	24	87	-13.4%	-16.7%	-14.9%	-19.2%	93%	-
35	NAFA Islamic Active Allocation Plan I	Shariah Compliant Fund of Funds	0.01%	16	27	243	-3.5%	-4.9%	-10.9%	-12.5%	48%	-
36	NBP Active Allocation Riba Free Savings Fund	Shariah Compliant Income	0.0%	0	0	0	11.1%	6.3%	10.6%	6.0%	100%	A-
37	Voluntary Pension Scheme	Pension Scheme	3.4%	4,372	4,834	4,012	-	-	-	-	-	-
Sum/Average:				128,044	111,842	89,681					60%	

Note:

* Since inception date of Nov-2019

** The above mentioned AUMs are excluding investments by Fund of Funds

Asset Manager Rating Scale & Definitions

An independent opinion on the quality and expertise deployed by an asset management company

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.

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'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or in anticipation of some material identifiable event. 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.

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.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) cessation of underlying entity, c) the rating remains suspended for six months, or/and d) PACRA finds it impractical to surveil the opinion due to lack of requisite information

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

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- (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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