



The Pakistan Credit Rating Agency Limited

Rating Report

NBP Fund Management Limited

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1. Rating Analysis
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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
23-Jun-2021	AM1	-	Stable	Maintain	-
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	-

Rating Rationale and Key Rating Drivers

The rating reflects the NBP Fund Management Limited's ("NBP Fund" or the "Company") dominant market position as one of the leading players in the asset management industry. The rating takes comfort from stable & professional management team, well defined investment process, well-developed risk management function, and strong brand name. The AMC has one of the biggest sales infrastructure, aggressive sales strategy is in place which has strengthened the sales force and contributed towards enhanced retail clientele and geographic expansion. Since Mar'20 the AUMs base of the Company grew significantly by ~30% as the Company focused on money market and fixed income categories but the market share fell to ~17% at end Mar'21 from 19%. The large retail customer base of the Company with improving granularity has resulted 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 6MFY21 while the equity base of the Company reported was PKR 1,109mln. 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-20)
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 Since Mar'20 the market share of the Company has decreased by 2% and currently stood at ~17% at end Mar'21 (Mar'20: 19%).

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 At AMC level, the top 10 investor concentration stood at ~23% at end Mar'21 and the average related party holding represents ~11% 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'20, 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.

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. Saadat Saeed ACA,CFA and FRM. 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, 1-Link and M-Net ATM services to facilitate its investors for online transactions. The Company has also setup a call center 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 ~30%, to ~PKR 167bln at end Mar'21 (Mar'20: ~PKR 128bln). 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 6MFY21 and stood at PKR 106 mln (SPLY : PKR 94mln). The Company has very strong capitalization with equity standing at PKR 1,109mln at end Dec'20.

Fund's Performance | NBP Fund Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)			Return CY20			Top Ten Investors Concentration	Ranking & Stability Rating (Dec'20)
				Mar'21	Dec'20	Mar'20	Return	Ind. Avg.	Bench.		
1	NAFA Islamic Active Allocation Plan I	Shariah Compliant Fund of Funds	0.0%	17	17	16	18.2%	5.2%	13.6%	58.7%	-
2	NAFA Islamic Active Allocation Plan II	Shariah Compliant Fund of Funds	0.0%	25	25	19	17.6%	5.2%	14.2%	95.9%	-
3	NAFA Islamic Active Allocation Plan III	Shariah Compliant Fund of Funds	0.1%	142	142	110	17.4%	5.2%	14.4%	79.7%	-
4	NAFA Islamic Active Allocation Plan IV	Shariah Compliant Fund of Funds	0.1%	137	146	117	16.7%	5.2%	14.0%	90.5%	-
5	NAFA Islamic Active Allocation Plan V	Shariah Compliant Fund of Funds	0.0%	82	115	124	16.3%	5.2%	13.6%	54.4%	-
6	NAFA Islamic Active Allocation Plan VI	Shariah Compliant Fund of Funds	0.0%	80	153	122	16.2%	5.2%	13.1%	82.2%	-
7	NAFA Islamic Active Allocation Plan VII	Shariah Compliant Fund of Funds	0.0%	28	35	30	15.8%	5.2%	13.7%	98.8%	-
8	NAFA Islamic Active Allocation Plan VIII	Shariah Compliant Fund of Funds	0.0%	57	71	122	16.7%	5.2%	14.2%	59.0%	-
9	NAFA Islamic Capital Preservation Plan I	Shariah Compliant Fund of Funds - CPPI	0.1%	143	149	230	5.9%	-0.9%	5.6%	61.4%	-
10	NAFA Islamic Capital Preservation Plan II	Shariah Compliant Fund of Funds - CPPI	0.1%	109	128	196	2.4%	-0.9%	1.9%	49.5%	-
11	NAFA Islamic Capital Preservation Plan III	Shariah Compliant Fund of Funds - CPPI	0.1%	91	98	211	-1.6%	-0.9%	-1.8%	50.1%	-
12	NAFA Islamic Capital Preservation Plan IV	Shariah Compliant Fund of Funds - CPPI	0.0%	54	62	150	-4.1%	-0.9%	-5.2%	67.4%	-
13	NBP Active Allocation Riba Free Savings Fund**	Shariah Compliant Income	0.0%	0	0	0	7.1%	7.5%	5.2%	100.0%	A-
14	NBP Balanced Fund	Balanced	0.9%	1,574	1,567	1,283	5.0%	4.5%	6.2%	91.0%	3-Star
15	NBP Financial Sector Fund	Equity	0.3%	435	607	585	-9.7%	6.9%	2.4%	81.0%	-
16	NBP Financial Sector Income Fund	Income	23.3%	39,061	28,171	10,655	10.8%	7.3%	9.0%	63.8%	A+
17	NBP Government Securities Liquid Fund	Money Market	1.2%	2,062	2,137	2,723	9.0%	9.0%	8.6%	77.0%	AAA
18	NBP Government Securities Plan I	Income	0.1%	194	193	284	13.2%	7.3%	8.8%	96.5%	AA-
19	NBP Government Securities Savings Fund	Income	0.1%	224	268	660	13.2%	7.3%	8.8%	41.8%	AA-
20	NBP Income Opportunity Fund	Income	5.7%	9,616	6,888	3,864	11.5%	7.3%	9.0%	39.1%	A
21	NBP Islamic Capital Preservation Plan V	Shariah Compliant Fund of Funds - CPPI	0.0%	54	63	89	-6.0%	-0.9%	-6.4%	66.1%	-
22	NBP Islamic Daily Dividend Fund	Shariah Compliant Money Market	7.7%	12,845	14,110	3,714	8.7%	5.1%	4.5%	73.6%	AA
23	NBP Islamic Energy Fund	Shariah Compliant Equity	0.5%	902	495	358	-11.8%	6.4%	7.8%	49.7%	-
24	NBP Islamic Income Fund	Shariah Compliant Income	1.2%	1,938	867	-	6.4%	7.5%	3.7%	51.5%	A
25	NBP Islamic Mahana Amdani Fund	Shariah Compliant Income	10.0%	16,729	17,715	26,932	8.1%	7.5%	5.2%	21.1%	A
26	NBP Islamic Money Market Fund	Shariah Compliant Money Market	2.6%	4,429	4,628	2,118	8.4%	5.1%	4.5%	47.2%	AA
27	NBP Islamic Regular Income Fund	Shariah Compliant Asset Allocation	0.1%	134	133	95	6.0%	3.1%	14.7%	99.8%	-
28	NBP Islamic Sarmaya Izafa Fund	Shariah Compliant Asset Allocation	3.5%	5,843	5,929	4,212	6.0%	3.1%	6.7%	15.2%	3-Star
29	NBP Islamic Savings Fund	Shariah Compliant Income	1.5%	2,468	2,813	4,220	7.7%	7.5%	5.2%	25.7%	AA-
30	NBP Islamic Stock Fund	Shariah Compliant Equity	4.6%	7,626	6,978	3,053	10.7%	6.4%	7.8%	30.7%	4-Star
31	NBP Mahana Amdani Fund	Income	3.7%	6,234	5,820	2,198	10.2%	7.3%	9.0%	23.7%	AA-
32	NBP Money Market Fund	Money Market	12.7%	21,226	30,313	36,179	9.3%	9.0%	8.6%	48.7%	AA
33	NBP Riba Free Savings Fund	Shariah Compliant Income	2.6%	4,352	5,363	5,811	8.1%	7.5%	5.2%	32.0%	A+
34	NBP Sarmaya Izafa Fund	Asset Allocation	0.9%	1,442	1,579	1,118	5.5%	4.8%	5.6%	46.5%	4-Star
35	NBP Savings Fund	Income	0.9%	1,558	1,666	1,213	9.1%	7.3%	9.0%	80.5%	A+
36	NBP Stock Fund	Equity	11.6%	19,449	18,120	10,758	7.9%	6.9%	2.4%	49.4%	3-Star
37	NBP Islamic Active Allocation Equity Fund**	Shariah Compliant Dedicated Equity	0.0%	0	0	0	13.8%	-	7.8%	100.0%	4-Star
38	NBP Pakistan Growth Exchange Traded Fund*	ETF	0.0%	8	6	-	8.1%	-	9.2%	100.0%	-
39	NBP Pension Funds (Islamic and Conventional)	VPS	3.6%	5,947	5,757	4,372	-	-	-	-	-
Sum/Average:				167,316	163,325	127,941					

*Since Launch on 06th Oct 2020

**Dedicated Funds

Asset Manager Rating

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.

<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 respective opinion.</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 surveil 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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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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(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.

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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

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