



The Pakistan Credit Rating Agency Limited

Rating Report

JS Investments Limited	Report Contents
	<ol style="list-style-type: none"> 1. Rating Analysis 2. Rating Scale 3. Regulatory and Supplementary Disclosure

Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Dec-2022	AM2+	-	Stable	Upgrade	-
06-Aug-2022	AM2	-	Positive	Maintain	-
09-Aug-2021	AM2	-	Stable	Maintain	-
01-Sep-2020	AM2	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating reflects elevated positioning of JS Investments Limited (“JSIL” or the “Company”) in the competitive asset management industry. The rating incorporates sound governance framework, experienced management team, adequate investment decision-making process, and satisfactory control infrastructure. The research and investment functions of the company are considered adequate. The AUMs of JSIL enhanced to around PKR 38bln including PKR 700mln AUMs of REIT Fund as on end-Nov’22 (Jun’22: PKR 27.6bln) mainly due to significant growth in JS Cash Fund and launch of new Income category funds. Consequently, the market share elevated to 2.7% as on Nov’22 (Jun’22: 2.2%). JSIL has an adequate fund slate to cater to the needs of conventional and Shariah-focused clientele. The Company launched JS Government Securities Fund in Jul’22. The overall performance of funds remained above average. The Shariah Compliant Income and Money Market and Conventional Money Market comfortably exceeded both the industry average and benchmarks. Furthermore, during CY22 the Company expanded its product slate by launching JS Momentum Factor Exchange Traded Fund, JS Microfinance Sector Fund and JS Rental REIT Scheme.

On the financial side, the management fee of JSIL has reported PKR 121.3mln for 9MCY22 (9MCY21: PKR 119.9mln). The Company successfully managed to achieve breakeven during 3 months ended Oct’22 and is expected to show healthy growth going forward. The equity stood at PKR 1.3bln at end-Sep’22, which is well above the minimum capital requirement of PKR 230mln. On the digital side, JS Bank's App "Zindagi" has also supported the Company to engrave its footprints in digitalization. Furthermore, the Company is in process of digital onboarding process for new clients. The rating incorporates the Company's association with JS Bank Limited and potential synergies due to established presence of JS Group in the financial sector.

The rating is dependent on the management's ability to effectively execute business development plans and leveraging its digital initiatives to strengthen its operations and outreach. Sustaining above average fund performance, increasing market share and further strengthening investment process remains key rating factors.

Disclosure	
Name of Rated Entity	JS 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-22)
Rating Analysts	Muhammad Azmat Shaheen azmat.shaheen@pacra.com +92-42-35869504



Profile

Structure JS Investments Limited ("JSIL" or the "Company") is a public listed company incorporated in 1995. JSIL is licensed to carry out asset management, investment advisory, private equity, venture capital and REIT management services.

Background JSIL is founded by IFC and INVESCO Plc, providing a wide range of mutual funds and pension funds both in Conventional and Shariah Compliant Category along with SMA services to HNWI individuals and corporate clients.

Market Share The industry AUMs comprise of PKR 1,398bn at end Nov'22 with JSIL contributing PKR 38bn AUMs - 2.7% of total market share (Jun'22: 2.2%).

Diversification Of Fund Mix JSIL is currently managing a diverse product slate of fourteen funds in eleven different Conventional and Shariah Compliant Categories, three voluntary pension schemes, one Exchange Traded Fund and one dedicated equity fund. The Company introduced JS Momentum Factor Exchange Traded Fund in Jan'22, JS Microfinance Sector Fund in May'22 and JS Government Securities Fund in Jul'22. JSIL also launched its first closed-end Rental Non-PPP REIT Fund "JS Rental REIT Fund" during Jun'22 with a fund size at PKR 5bn.

Investor Concentration Average top 10 investor concentration at fund level remains high and stood at 62% at end-Jun'22 with average related party holding of 12.1%.

Ownership

Ownership Structure JSIL is a subsidiary of JS Bank Limited with ~85% stake, while remaining shares are held by financial institutions and general public

Business Acumen JS Bank Limited is a subsidiary (~75%) of Jahangir Siddiqui & Co. Limited (JSCL). The business acumen of the bank is considered strong. JSCL is the holding company for JS Group. JS Group is engaged in a diverse set of activities with its focus on the financial sector, including asset management, securities, and commodities brokerage, commercial banking, and insurance. Besides its concentration in the financial sector.

Financial Strength JS Bank Limited has an unconsolidated asset base of PKR 588.9bn at end-Sep'22 accompanied by equity of PKR 22.2bn. The long-term credit rating of JS Bank is 'AA-' and the short-term rating is 'A1+'.

Governance

Board Structure JSIL's control vests in eight-member board of directors including the CEO. There are two independent directors while all other directors except the CEO are non-executive

Members' Profile The board carries diversified experience (23 Years on average) in different business areas, especially in banking and investment management. The board members possess strong profile and skills suited to the financial services industry.

Board Effectiveness To ensure an effective control environment and compliance with reporting standards, JSIL has constituted an Audit Committee, HR Committee and Executive Risk Management Committee at board level.

Transparency JSIL has outsourced its internal audit department to M/S BDO Ebrahim & Co. for effective monitoring of control systems. The external auditors of the Company are M/S KPMG Taseer Hadi & Co. They have a satisfactory QCR rating and are classified in the 'A' category of SBP Panel of Auditors.

Management

Organizational Structure JSIL has a well-defined organizational structure based on eight departments, i) HR and Administration, ii) Compliance and Risk Management, iii) Business Development, iv) Investments and Research, v) Information Technology, vi) Finance, vii) Internal Audit and viii) Operations.

Management Team The management team of JSIL comprises of experienced and qualified professionals. Ms. Iffat Zehra Mankani is the CEO of JSIL since April 2021. She is a veteran of financial industry with over 20 years of experience in capital markets. The Chief Investment Officer - Syed Hussain Haider (MBA, CFA Charter holder & CSC) possesses two decades of global experience in investment management, equity advisory & private banking for clients spread across three continents.

Technology Infrastructure JSIL has implemented a Unit Management System (web-based application) and ERP Application (portfolio accounting system) by Softech Systems Private Limited. The IT department has formulated an IT Steering Committee which comprises four members to make timely decisions on IT issues. The Company is focusing on strengthening its technological platform to enhance its outreach and improve customer services.

Control Environment The compliance and risk management department is being led by Mr. Malik Zafar Javaid. The department ensures compliance with all applicable statutory regulations and internal investment guidelines. Segregation of these functions, in line with best practices, along with minimizing overlap in others is important to strengthen the control environment. The Company is working to fortify its KYC/AML practices.

Investment Risk Management

Credit Risk The Risk Management Department measures credit risk of the entire portfolio as well as of individual transactions. Excel based credit risk scorecards are being used to provide statistical estimates for counter party credit risk.

Liquidity Profile The department ensures sufficient liquidity by investing in liquid avenues. Internally designed methods are used to classify stocks into liquid/semi liquid/non-liquid categories. Further, it is also ensured that minimum cash and cash equivalent requirements are maintained at all times to fulfill payment obligations

Market Risk For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits applicable to interest-bearing securities are regularly reviewed and reported to the management.

Portfolio Management

IC Composition The investment decision making process is well-structured with the CEO providing critical support. The members of investment committee also include the Chief Investment Officer, Chief Operating Officer and Fund Managers.

Effectiveness The investment committee reviews the investment strategy of each fund under management and its performance on regular basis to incorporate the impact of various factors on funds' performance. Induction of independent research head has further enhanced effectiveness.

Investment Research And Analysis The research department reports to Chief Investment Officer and comprises of database manager and two qualified research analysts.

Customer Relationship

Investor Services JSIL has an established investor services platform for investor education and facilitation. The customers are provided SMS and e-mail alerts for transactions, NAV prices, and other promotional alerts along with monthly detailed E-statements. The mobile app of the company provides various value-added services such as live news and financial market updates, equity market indices, investment account details and E-transactions.

Investor Reporting JSIL disseminates unit holder statement on monthly basis, which comprises monthly NAVs, benchmark return comparisons and asset allocations. JSIL publishes FMRs on its website in a timely manner.

Distribution And Sales Network JS Bank - the parent company, is the main distribution partner of JS Investments Limited along with other distributors. JSIL is expanding outreach by using digital platforms of JS Bank like "Zindagi APP" with a greater focus towards enhancing the retail clientele. The Company is also under process to launch its separate android App to facilitate AMC specific clients.

Performance

Asset Under Management The AUMs at end-Nov'22 amounted to PKR 38bn (including PKR 700mln AUMs of REIT fund) with a market share of 2.7% (an increase of 37.7% since Jun'22). The management is working on various initiatives and overall fund performance remained satisfactory, where majority of funds comfortably exceeded the benchmarks.

Asset Manager The management fee of JSIL has reported a profit of PKR 121.3mln (9MCY21: PKR 119.9mln) and a net loss of PKR 161.8mln (9MCY21: PKR -248.9mln) during 9MCY22. The loss is primarily attributable to deficit on revaluation of investments. The equity stood at PKR 1.342.6mln at end-Sep'22, which is well above the minimum capital requirement of PKR 230mln.

Fund's Performance | JS Investments Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)					Return Rolling 12 Months (Oct'21-Oct'22)				
				Nov-22	Jun-22	Mar-22	Dec-21	Jun-21	Return	Bch. Mark	Industry Average	Fund vs. Bmark	Fund vs. Ind. Avg.
1	JS Cash Fund	Money Market	43.3%	16,169	17,683	12,302	12,564	4,451	13.2%	12.6%	10.4%	0.5%	2.8%
2	JS Growth Fund	Equity	4.5%	1,693	1,976	2,200	2,380	1,791	-16.8%	-7.8%	-17.9%	-8.9%	1.1%
3	JS Islamic Income Fund	Shariah Compliant Income	6.5%	2,430	1,535	1,833	1,841	2,599	10.0%	4.0%	8.1%	6.0%	1.9%
4	JS Income Fund	Income	2.8%	1,037	1,250	1,947	1,667	1,925	10.9%	13.5%	9.9%	-2.6%	0.9%
5	Unit Trust of Pakistan	Balanced	2.5%	943	937	1,011	1,025	1,101	-9.5%	-1.6%	-11.8%	-7.9%	2.3%
6	JS Islamic Daily Dividend Fund	Shariah Compliant Money Market	6.3%	2,360	30	18	507	1,419	11.8%	4.6%	7.8%	7.2%	4.0%
7	JS Large Cap Fund	Equity	0.8%	309	324	397	421	478	-16.7%	-7.8%	-17.9%	-8.8%	1.2%
8	JS Islamic Fund	Shariah Compliant Equity	0.6%	242	336	391	419	491	-15.8%	-7.0%	-14.0%	-8.8%	-1.8%
9	JS Islamic Hybrid Fund of Funds (JS Islamic Capital Preservation Allocation Plan VIII)	Shariah Compliant Fund of Funds - CPPI	0.6%	226	250	317	372	437	6.0%	2.9%	2.3%	3.2%	3.7%
10	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.2%	65	84	111	128	348	7.1%	2.4%	2.3%	4.7%	4.8%
11	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VI)	Shariah Compliant Fund of Funds - CPPI	0.2%	92	93	98	123	415	8.8%	2.5%	2.3%	6.2%	6.5%
12	JS Government Securities Fund	Income	10.7%	3,976	-	-	-	-	17.1%	16.1%	9.9%	0.9%	7.2%
13	JS Microfinance Sector Fund	Income	17.9%	6,673	2,178	-	-	-	16.5%	15.9%	9.9%	0.7%	6.6%
14	ETF	ETF	0.0%	7	8	12	-	-	-	-	-	-	-
15	VPS	VPS	2.1%	768	803	850	992	1,017	-	-	-	-	-
Sum/Average:			100%	37,335	27,597	21,494	22,448	17,616	-	-	-	-	-

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>
---	---	--	---	---

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.

Disclaimer: PACRA has used due care in preparation of this document. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA shall owe no liability whatsoever to any loss or damage caused by or resulting from any error in such information. Contents of PACRA documents may be used, with due care and in the right context, with credit to PACRA. Our reports and ratings constitute opinions, not recommendations to buy or to sell.

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)

Conduct of Business

- (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)

Independence & Conflict of interest

- (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)

Monitoring and review

- (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 | 18-(a)
- (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

(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)

Proprietary Information

(23) All information contained herein is considered proprietary by PACRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without PACRA's prior written consent