



The Pakistan Credit Rating Agency Limited

Rating Report

JS Investments Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
09-Aug-2021	AM2	-	Stable	Maintain	-
01-Sep-2020	AM2	-	Stable	Initial	-

Rating Rationale and Key Rating Drivers

The assigned rating reflects modest 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 AUMs of JSIL, on-average, remained around ~PKR 21.6bln during FY21 and declined to PKR 17.6bln at end-Jun’21 due to redemption from JS Cash Fund. Consequently the market share reduced to ~1.7% (Jun’20: 2.4%) but it was replenished subsequently. JSIL has an adequate product slate to cater the needs of conventional and Shariah focused clientele. However, the AUMs are tilted towards money market / fixed income funds resulting in lower management fee and profitability. JSIL has reported a loss of ~PKR 39.8mln for CY20 (SPLY: PKR ~86.6mln). The equity stood at ~PKR 1.8b1n at year end-Dec’20, which is well above the minimum capital requirement of PKR 230mln. The overall fund performance remained satisfactory, where Equity, Shariah Compliant Money Market, Income and Fund of Funds comfortably exceeded the benchmarks. Ms. Iffat Zehra Mankani joined as CEO of the Company in Apr’21 in place of Mr. Hasnain Raza Nensey. Subsequent to the reporting period Chief Investment Officer has resigned and the process to hire replacement is in progress. In accordance with the growth strategy of digitalization, the management is planning to make deep inroads into the retail clientele with equity-centric approach to enhance the management fee and also working out to launch new funds and ETF. JSIL has also acquired licenses for private equity, venture capital and REIT management to further support the core income. Materialization of growth strategy and digital initiatives for improved AUMs, market share and profitability are important for future viability of the assigned rating. 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	Methodology Asset Manager Rating (Jun-21)
Related Research	Sector Study Asset Managers(Jun-21)
Rating Analysts	Afnan Iqbal afnan.iqbal@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 a private sector Asset Management Company founded by International Finance Corporation and INVESCO Plc. JSIL provides a wide range of mutual funds and pension funds both in Conventional and Shariah Compliant Category. JSIL also provides SMA services to HNWI individuals and corporate clients.

Market Share JSIL is a small sized AMC with market share of ~1.7% at end-Jun'21 (Jun'20: ~2.4%).

Diversification Of Fund Mix JSIL is currently managing a diverse product slate of twelve funds in eight different Conventional and Shariah Compliant Categories and two voluntary pension schemes.

Investor Concentration The average top 10 investor concentration at fund level remains high and stood at ~75% at end-Jun'21. The average related party holding is ~30% of total AUMs.

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 majority owned subsidiary (~75%) of Jahangir Siddiqui and Company Limited. The Bank is one of the fastest growing banks of Pakistan and had 282 branches at end-Mar'21 (Dec'20: 308)

Financial Strength JS Bank Limited has an unconsolidated asset base of ~PKR 520bln at end-Mar'21 accompanied by equity of ~PKR 21bln. 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 seven-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. Replacement for Mr. Zahid Ullah Khan (ex-CIO), is in progress.

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. Salman Shakoor. 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/IL-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 CIO, Director Finance 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, which falls under the purview of CIO, is headed by Mr. Syavash Pahore. He possesses years of experience in equity research. Currently, his team comprises two qualified research analysts and a database manager.

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 Currently, JS Bank, the parent company, is the only alternate distribution partner of JS Investments Limited. JSIL is considering to expand its outreach by using digital platforms with a greater focus towards enhancing the retail clientele.

Performance

Asset Under Management The AUMs of JSIL (CIS & VPS) declined to ~PKR 17,616mln at end-Jun'21 (Jun'20: ~PKR 18,879mln) and the market share fell to ~1.7% at end-Jun'21 (Jun'20: ~2.4%) as the industry grew at a faster pace with strong competition. The management is cognizant of this and is working on various initiatives including diversifying product slate and offering REIT management services. The overall fund performance remained satisfactory, where Equity and Shariah Compliant Fund of Funds comfortably exceeded the benchmarks.

Asset Manager The Company reported net loss of ~PKR 39.8mln for CY20 (SPLY: PKR ~86.6mln). The loss is primarily attributable to lower management fee and significant administrative and marketing expense. The Company has relatively lower fee income when compared to peers. The equity stood at ~PKR 1.8bln at year end-Dec'20, which is well above the minimum capital requirement of PKR 230mln. The current ratio of JSIL improved to 9.6x at end-Jun'20 (Jun'19: 4.21x) and the gearing ratio stood at 0.16x.

Fund's Performance | JS Investments Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Return FY21					Top Ten Investors Concentration	Stability Rating (Dec'20)
				Jun-21	Dec-20	Jun-20	Dec-19	Fund	Beh. Mark	Industry Average	Fund vs. Bmark	Fund vs. Ind. Avg.		
1	Unit Trust of Pakistan	Balanced	6.2%	1,101	1,105	951	1,027	25.0%	26.7%	22.4%	-1.7%	2.6%	79%	-
2	JS Growth Fund	Equity	10.2%	1,791	2,013	1,510	1,596	27.6%	36.5%	41.3%	-8.9%	-13.7%	81%	-
3	JS Large Cap Fund	Equity	2.7%	478	505	352	507	37.9%	36.5%	41.3%	1.4%	-3.4%	29%	-
4	JS Value Fund	Equity	4.1%	726	622	498	681	41.3%	36.5%	41.3%	4.8%	0.0%	69%	-
5	JS Fund of Funds	Fund of Funds	1.7%	297	242	217	241	26.3%	38.0%	19.0%	-11.7%	7.4%	95%	-
6	JS Income Fund	Income	10.9%	1,925	2,073	1,922	2,565	6.9%	7.4%	5.9%	-0.5%	1.0%	47%	A+
7	JS Cash Fund	Money Market	25.3%	4,451	9,556	5,787	3,709	6.9%	6.9%	6.5%	0.0%	0.4%	81%	AA+
8	JS Islamic Fund	Shariah Compliant Equity	2.8%	491	530	430	545	33.7%	39.3%	32.9%	-5.6%	0.8%	29%	-
9	JS Islamic Hybrid Fund of Funds (Mufeed)	Shariah Compliant Fund of Funds	0.0%	4.1	3.8	3.37	33.79	39.8%	36.8%	23.7%	3.0%	16.1%	100%	-
10	JS Islamic Hybrid Fund of Funds (Mustahkem)	Shariah Compliant Fund of Funds	0.0%	0.29	0.22	0.22	0.31	43.1%	6.0%	23.7%	37.0%	19.4%	100%	-
11	JS Islamic Hybrid Fund of Funds (Mustanad)***	Shariah Compliant Fund of Funds	0.0%		0	0	0	-	-	-	-	-	-	-
12	JS Islamic Hybrid Fund of Funds (Mutanasib)	Shariah Compliant Fund of Funds	0.1%	11	12	10	13	30.5%	38.6%	23.7%	-8.1%	6.8%	93%	-
13	JS Islamic Hybrid Fund of Funds (JS Islamic Capital Preservation Allocation Plan VIII)	Shariah Compliant Fund of Funds - CPPI	2.5%	437	442	444	750	12.9%	3.4%	9.7%	9.5%	3.1%	62%	-
14	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VI)	Shariah Compliant Fund of Funds - CPPI	2.4%	415	450	565	675	6.3%	3.4%	9.7%	2.9%	-3.4%	71%	-
15	JS Islamic Hybrid Fund of Funds II (JS Islamic Capital Preservation Allocation Plan II)	Shariah Compliant Fund of Funds - CPPI	0.0%	0	0	0	1,394	-	-	-	-	-	-	-
16	JS Islamic Hybrid Fund of Funds II (JS Islamic Capital Preservation Allocation Plan III)	Shariah Compliant Fund of Funds - CPPI	0.0%	0	0	0	1,327	-	-	-	-	-	-	-
17	JS Islamic Hybrid Fund of Funds II (JS Islamic Capital Preservation Allocation Plan IV)	Shariah Compliant Fund of Funds - CPPI	0.0%	0	131	1,104	1,273	-	-	-	-	-	-	-
18	JS Islamic Hybrid Fund of Funds II (JS Islamic Capital Preservation Allocation Plan V)	Shariah Compliant Fund of Funds - CPPI	0.0%	0	567	638	806	-	-	-	-	-	-	-
19	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan IX)**	Shariah Compliant Fund of Funds - CPPI	0.6%	105	137	231	0	18.7%	9.3%	9.7%	9.4%	8.9%	71%	-
20	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VII)	Shariah Compliant Fund of Funds - CPPI	2.0%	348	377	410	568	6.2%	3.4%	9.7%	2.8%	-3.6%	47%	-
21	JS Islamic Income Fund	Shariah Compliant Income	14.8%	2,599	2,397	1,538	358	7.0%	3.6%	6.3%	3.3%	0.7%	88%	AA-
22	JS Islamic Daily Dividend Fund*	Shariah Compliant Money Market	8.1%	1,419	1,676	-	-	6.4%	3.4%	6.0%	3.0%	0.4%	100%	AA
23	VPS	VPS	5.8%	1,017	995	862	871	-	-	-	-	-	-	-
Sum/Average:				17,616	23,835	17,470	17,041							

*Fund launched in Sep'20

**Fund launched in Apr'20

***Plan has been matured

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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- 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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- (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)
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Probability of Default

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