



The Pakistan Credit Rating Agency Limited

## Rating Report

### Al Meezan Investment Management Limited

#### Report Contents

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
23-Jun-2022	AM1	-	Stable	Maintain	-
23-Jun-2021	AM1	-	Stable	Maintain	-
26-Jun-2020	AM1	-	Stable	Maintain	-
28-Dec-2019	AM1	-	Stable	Maintain	-
28-Jun-2019	AM1	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Al Meezan Investment Management Limited ("Al Meezan" or the "Company") rating reflects the Company's established standing as the largest asset managers and competitive advantage as the first and the largest Shariah-Compliant Asset Manager in Pakistan. The rating incorporates the company's strong brand name, robust governance framework, structured investment processes, and qualified management team. The Company has segregated Compliance and Audit function in line with best practices to strengthen its control environment. In Dec'21, nearly 60% of the Funds outperformed industry average especially money market and income category. In Sep'21, Al Meezan has launched Meezan Daily Income Fund Plan-I the objective of which is to generate high returns associated with moderate risk. The equity requirement of the Company is well above the minimum regulatory limits. During Mar'22, the AUMs of the industry grew by 8% recorded at 1.13trn. Al Meezan's share in the industry stood at~15.5%, while amongst Shariah Compliant Funds, its share stood at ~39.2% as of Mar'22. However, Al Meezan's AUMs stood at PKR~176bln as of Mar'22.

The rating is dependent upon the Company's ability to sustain its market share and upholding strong investment processes and control environment. Meanwhile, consistent performance of funds compared to benchmark and peers is critical. Any sustained downturn in fund performance and/or significant loss in market share will impact the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Al Meezan Investment Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Asset Manager Rating(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-21)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** Al Meezan Investment Management Limited ("Al Meezan Investments" or the Company") was established in 1995 as a private limited company. Later in 2001, the Company changed its status to a public unlisted company.

**Background** The Company is financial arm of Meezan Bank Limited (AA+ rated bank) in asset management industry.

**Market Share** The Company enjoys strong standing having market share ~16.2% at end Dec'21 (Jun'21: 18.0%).

**Diversification Of Fund Mix** The Company is currently managing a diverse product slate of nineteen funds in nine different Shariah Compliant categories including a voluntary pension scheme. Al Meezan Investments offers innovative products including the country's only gold tracking fund.

**Investor Concentration** The top 10 investors represent ~52% of total AUMs at the end Dec'21. While the average related party holdings represent ~12%.

## Ownership

**Ownership Structure** Meezan Bank Limited is the largest shareholder of the Company with ~65% stake, followed by Pak Kuwait Investment Company Limited (~30% shareholding). The CEO of Al Meezan, Mr. Mohammad Shoaib, holds ~4.85% stake in the Company.

**Business Acumen** Meezan Bank Limited is Pakistan's first and largest Islamic bank and is listed on PSX. Meezan Bank provides a comprehensive range of Islamic banking products and services. Pak Kuwait Investment Company Limited is Pakistan's leading Development Financial Institution.

**Financial Strength** The net assets of Meezan Bank stood at -PKR 86bln at end Dec'21.

## Governance

**Board Structure** The Company's board is composed of ten members including the CEO. Three directors are independent and six are non-executive. Four directors represent Meezan Bank while two are representative of Pak Kuwait Investment Company Limited.

**Members' Profile** The chairman of the Company is Mr. Ariful Islam joined Meezan Bank in April 1999. The BOD members have extensive experience (25 Years on average) in the field of banking and investment management. This helps in providing useful insight and guiding management in the development of effective risk management policies and procedures.

**Board Effectiveness** The board actively provides guidance to the Company. Currently, there are four committees at the board level, Audit Committee, Risk Management Committee and Human Resource & Remuneration Committee and IT Committee to ensure smooth and effective monitoring and control.

**Transparency** The Company has an in-house internal audit department to monitor the internal controls. The department directly reports to the audit committee of the board. An independent compliance department is also in place, to ensure compliance with all the statutory regulations. The external auditors of the Company, EY Ford Rhodes Chartered Accountants, have provided an unqualified opinion on the Financial Statements for CY21.

## Management

**Organizational Structure** The Company has a well-designed organizational structure. It operates through fourteen main departments, out of which six directly report to the CEO.

**Management Team** The senior management team of the Company comprises of seasoned professionals. The CEO, Mr. Mohammad Shoaib, has around three decades of professional experience in managing investment portfolios. The CIO, Mr. Muhammad Asad, is an MBA with extensive experience of over two decades, out of which more than seventeen years are with the Company. The Company has witnessed a very low turnover rate in the key management positions, resulting in a stable management.

**Technology Infrastructure** Al Meezan Investments has implemented Temenos (T24) as its core business software. Investment, redemption and conversion of mutual fund units by investors are processed via software and are dealt on a timely basis.

**Control Environment** The Company has devised detailed policies for IT, operations, research, investment and risk management. It uses a dedicated software that notifies any breach in exposure limit and specified margin.

## Investment Risk Management

**Credit Risk** The investment committee evaluates credit proposals presented by the risk management department. The Company has controls in place to ensure allocation limits. Regulatory limits for Equity and Fixed Income funds have been implemented in the system, which restricts the fund manager to increase the exposure in any script greater than the assigned limit.

**Liquidity Profile** Risk management department vigilantly monitors the liquidity profile to avoid any mismatch between portfolio allocations and redemption patterns. Sufficient liquidity is maintained by investing significant portion of funds' assets in liquid investment avenues. Moreover, the Company has financing lines available (though unutilized currently) to meet redemptions in a timely manner.

**Market Risk** The Company has set appropriate metrics to measure exposure to market risk factors. Excel based models are used to measure the sensitivity of the portfolio due to changes in underlying fundamentals.

## Portfolio Management

**IC Composition** The investment committee (IC) comprises the CEO, CIO, Head of Equities, Fund Manager, Equities, Fixed Income, Commodities for respective funds, Head of Risk and Head of Research.

**Effectiveness** The IC formally meets on a weekly basis and on ad-hoc basis for formulating, selecting and monitoring investment decisions.

**Investment Research And Analysis** The research department is headed by Mr. Ali Asghar, CFA, and falls under the purview of CIO. He has over 10.3 years of experience in the financial markets. The research team comprises of experienced research analysts.

## Customer Relationship

**Investor Services** The Company uses specialized software for customer relationship management. The Company provides investment services using the software, which displays key information for investors and provides the facility of conversion as well as redemption via online portal, mobile app and ATM card.

**Investor Reporting** The Company publishes comprehensive fund manager reports on its website. These reports apprise the investors about the fund's performance and prevailing market conditions. The Company's web page is used as a reporting platform for dissemination of information pertaining to the Company, management, NAV history, fund performance, product characteristics and other important announcements

**Distribution And Sales Network** The Company has a strong distribution network of twenty-six distributors and twenty six branches in fifteen cities across the country. The management is focusing on enhancing its digital presence and geographical presence, going forward.

## Performance

**Asset Under Management** The AUMs of the Company increased by ~6% to ~PKR 173bln at end Dec'21 (SPLY~PKR 163bln ; Jun'21: ~PKR 189bln). Fund performance has been improved lately with around four percent of the funds performing in line with their benchmark.

**Asset Manager** The management fee of the company increased by 8% to -PKR 753mln at the end of Dec'21 (SPLY: -PKR 695mln) whereas operating profit also increased to -PKR 584mln in 1HFY22 (SPLY-PKR 360mln). The PAT decreased to -PKR 329mln in 1HFY22 (SPLY: -PKR 667mln) due to loss on investment portfolio of ~PKR 86mln in 1HFY22 as compared to gain on investment of PKR~413mln in SPLY. This was mainly due to PSX return which were -6.44% in 1HFY22 and 29.41% in SPLY. The Company's equity stood at -PKR 3,418mln at end Dec'21 (Jun'21: -PKR 3,759mln). The Company's total assets stood at ~PKR 4,191mln at the end Dec'21 (Jun'21: -PKR 4,765mln)

Fund's Performance | Al Meezan Investment Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mn)					Return   Mar'22					Weight (%)	Return   Dec'21				
				Mar'22	Dec'21	Jun'21	Dec'20	Jun'20	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.		Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
1	Meezan Rozana Amdani Fund	Shariah Compliant Money Market	31.1%	55,878	52,449	74,704	46,983	53,351	10.0%	2.0%	3.5%	8.0%	6.5%	29.9%	7.5%	5.2%	3.2%	2.3%	4.3%
2	Meezan Islamic Fund	Shariah Compliant Equity	15.5%	27,884	30,479	34,274	30,968	24,072	-0.3%	-1.8%	1.7%	1.6%	-2.0%	17.4%	4.0%	5.2%	0.7%	-1.2%	3.3%
3	Meezan Islamic Income Fund	Shariah Compliant Income	13.1%	23,547	25,442	27,246	35,141	27,776	7.7%	1.9%	3.3%	5.8%	4.4%	14.5%	6.9%	7.2%	3.2%	-0.4%	3.7%
4	Meezan Daily Income Fund	Shariah Compliant Income	11.4%	20,436	13,165				10.2%	1.9%	3.3%	8.4%	6.9%	7.5%	-	-	-	-	-
5	Meezan Cash Fund	Shariah Compliant Money Market	7.3%	13,111	13,229	13,557	13,800	14,026	8.6%	2.0%	3.8%	6.6%	4.8%	7.5%	6.7%	5.2%	3.2%	1.5%	3.5%
6	Meezan Tahaffuz Pension Fund	VPS	7.6%	13,688	13,480	13,360	12,081	10,521	-	-	-	-	-	7.7%	-	-	-	-	-
7	Meezan Sovereign Fund	Shariah Compliant Income	4.6%	8,277	9,809	9,939	8,841	9,736	5.0%	1.9%	3.3%	3.1%	1.7%	5.1%	7.2%	7.2%	3.2%	0.0%	4.1%
8	Al Meezan Mutual Fund	Shariah Compliant Equity	2.7%	4,910	5,050	4,918	4,777	3,913	-0.8%	-1.8%	1.7%	1.1%	-2.5%	2.9%	3.1%	5.2%	0.7%	-2.1%	2.4%
9	Meezan Balanced Fund	Shariah Compliant Balanced Fund	1.8%	3,221	4,340	4,713	4,418	3,916	0.3%	0.3%	1.3%	0.0%	-1.0%	2.5%	3.0%	6.4%	2.0%	-3.4%	1.0%
10	KSE Meezan Index Fund	Shariah Compliant Index Tracker	1.5%	2,754	2,764	2,697	2,537	1,857	1.3%	1.3%	1.7%	0.0%	-0.4%	1.6%	0.1%	6.7%	0.7%	-6.6%	-0.6%
11	Meezan Asset Allocation Fund	Shariah Compliant Asset Allocation	0.6%	1,162	1,395	1,672	1,574	1,339	-4.8%	0.2%	1.6%	-5.0%	-6.4%	0.8%	0.9%	5.0%	1.2%	-4.1%	-0.3%
12	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan IV)	Shariah Compliant Fund of Funds - CPPI	0.4%	684	723	767	839	1,112	0.1%	0.7%	1.2%	-0.6%	-1.1%	0.4%	4.9%	3.6%	1.8%	1.3%	3.1%
13	Meezan Gold Fund	Shariah Compliant Commodities	0.3%	612	601	488	468	548	5.8%	5.8%	5.7%	0.0%	0.2%	0.3%	6.7%	6.7%	6.4%	0.0%	0.3%
14	Meezan Energy Fund	Shariah Compliant Equity	0.3%	466	507	584	417	542	0.1%	-1.8%	1.7%	1.9%	-1.6%	0.3%	-2.2%	5.2%	0.7%	-7.4%	-2.9%
15	Meezan Financial Planning Fund of Funds (Aggressive)	Shariah Compliant Fund of Funds	0.2%	324	337	348	323	283	0.2%	-0.2%	1.5%	0.4%	-1.3%	0.2%	6.0%	12.5%	1.6%	-6.6%	4.4%
16	Meezan Financial Planning Fund of Funds (Conservative)	Shariah Compliant Fund of Funds	0.1%	219	227	224	159	144	1.4%	-0.2%	1.1%	1.6%	0.3%	0.1%	6.5%	12.5%	2.6%	-6.0%	3.9%
17	Meezan Financial Planning Fund of Funds (MAAP I)	Shariah Compliant Fund of Funds	0.1%	93	99	156	207	318	-0.5%	-0.2%	1.6%	-0.3%	-2.1%	0.1%	8.9%	12.5%	1.8%	-3.6%	7.1%
18	Meezan Financial Planning Fund of Funds (Moderate)	Shariah Compliant Fund of Funds	0.1%	111	119	146	137	119	0.8%	-0.2%	1.3%	1.0%	-0.5%	0.1%	7.9%	12.5%	2.1%	-4.7%	5.7%
19	Meezan Strategic Allocation Fund (MSAP I)	Shariah Compliant Fund of Funds	0.2%	430	519	674	858	793	-0.1%	-0.2%	1.5%	0.1%	-1.6%	0.3%	5.6%	12.5%	1.7%	-7.0%	3.9%
20	Meezan Strategic Allocation Fund (MSAP II)	Shariah Compliant Fund of Funds	0.2%	363	387	452	453	453	0.2%	-0.2%	1.5%	0.4%	-1.3%	0.2%	4.8%	12.5%	1.5%	-7.7%	3.3%
21	Meezan Strategic Allocation Fund (MSAP III)	Shariah Compliant Fund of Funds	0.1%	257	339	501	552	746	-0.3%	-0.2%	1.5%	-0.1%	-1.8%	0.2%	4.4%	12.5%	1.6%	-8.1%	2.8%
22	Meezan Strategic Allocation Fund (MSAP IV)	Shariah Compliant Fund of Funds	0.1%	127	160	213	316	751	-0.5%	-0.2%	1.5%	-0.3%	-2.0%	0.1%	5.5%	12.5%	1.6%	-7.1%	3.9%
23	Meezan Strategic Allocation Fund (MSAP V)	Shariah Compliant Fund of Funds	0.0%	53	58	63	83	196	-0.5%	-0.2%	1.5%	-0.3%	-2.0%	0.0%	4.5%	12.5%	1.5%	-8.1%	3.0%
24	Meezan Strategic Allocation Fund (Meezan Capital Preservation Plan III)	Shariah Compliant Fund of Funds - CPPI	0.1%	206	228	265	378	416	0.9%	0.7%	1.0%	0.2%	-0.1%	0.1%	6.0%	3.6%	1.9%	-	-
25	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan V)	Shariah Compliant Fund of Funds - CPPI	0.0%	70	85	94	153	216	1.4%	0.7%	1.0%	0.7%	0.4%	0.0%	6.6%	3.6%	2.5%	3.0%	4.1%
26	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VI)	Shariah Compliant Fund of Funds - CPPI	0.0%	68	82	93	156	213	2.0%	0.7%	0.9%	1.3%	1.1%	0.0%	7.4%	3.6%	3.3%	3.8%	4.1%
27	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.1%	94	98	104	120	136	1.5%	0.7%	0.9%	0.8%	0.5%	0.1%	6.3%	3.6%	2.3%	2.7%	4.0%
28	Meezan Strategic Allocation Fund II (Meezan Capital Preservation Plan VIII)	Shariah Compliant Fund of Funds - CPPI	-	-	-	35	52	64	-	-	-	-	-	0.0%	-	-	-	-	-
29	Meezan Strategic Allocation Fund III (Meezan Capital Preservation Plan IX)	Shariah Compliant Fund of Funds - CPPI	0.3%	606	96	100	97	89	1.0%	0.7%	1.1%	0.3%	-0.2%	0.1%	4.7%	3.6%	1.7%	1.1%	3.0%
30	Meezan Pakistan ETF	Shariah Compliant - ETF	0.1%	92	88	39	30	-	-3.7%	-	-3.3%	-3.7%	-0.5%	0.1%	-8.5%	-	-6.7%	-8.5%	-1.8%
Sum/Average:				179,743	175,535	192,427	166,918	157,646				0.0%	0.0%					0.0%	0.0%

\* Plan launched on 14-May-2019

**Asset Manager Rating**

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

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**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.

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(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

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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 | Clause 11-(A)(p).

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(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

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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

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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**

(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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