

UBL Fund Managers Limited

Date: January 9, 2015

Chairman: Mr. Tariq Kirmani; Chief Executive: Mr. Mir Muhammad Ali, CFA

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Rating Rationale

The rating upgrade of UBL Fund Managers Limited (UBL FM) takes into account various measures taken by the company to strengthen the institutional infrastructure and institute a culture of sound governance and risk management that emanates from the Board of Directors and has cascaded down the organizational hierarchy. Key management positions in the AMC are held by qualified personnel in, addition to which the fund management team has also been developed significantly over time.

General control environment in the company has also showcased improvement on a timeline bases. The scope of internal audit function is considered comprehensive; moreover, the management has taken keen interest in addressing shortcomings identified during the audit process over the years. Scope of risk management is comprehensive, with Head of Risk being a key member of the Investment Committee and investment decisions requiring unanimous approval from all members. Implementation of Enterprise Risk Management (ERM) has also commenced; progress with regards to this is monitored by the Board on quarterly basis. Investment in IT infrastructure has facilitated both front-office and back-office functions in addition to enabling management to actively track sales related activities across diverse channels.

In the past year, product suite of the company has broadened with launch of 2 asset allocation funds and multiple principal preservation fund of fund schemes, managed using Constant Proportion Portfolio Insurance (CPPI) strategy. In each of the categories, the AMC has funds catering to both Shariah conscious investors and otherwise. The AMC underwent a rebranding exercise whereby all Islamic funds in the AMC’s portfolio were renamed as ‘Al-Ameen’ to identify them distinctly from the company’s conventional product offering. A subsidiary, Al-Ameen Financial Services (Pvt.) Limited, was also formed during the year with a focus on distribution of Al-Ameen products. Almost 30% of the company’s Assets under Management (AUMs) pertained to the Al-Ameen family of funds at end-June 2014. Separately Managed Assets (SMAs) have also showcased growth in terms of number of mandates and size, with dedicated and qualified staff to manage the same.

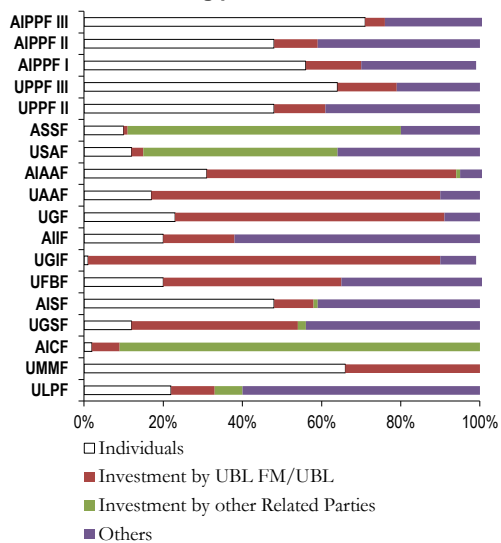
Relative performance of Islamic stock fund has remained consistently strong while there is also an uptick in the performance of conventional stock fund. Performance of asset allocation funds and retirement savings funds stacks favorably against peers. In the income and money market categories, relative return performance features variation, though in most cases, the return differential is not sizeable. 8 out of the 21 funds managed by the company are either income or money market schemes, differentiated on the basis of their risk appetite for credit and market risk. The principal preservation funds are invested into the AMC’s own funds; returns are driven by the performance of underlying funds in addition to asset allocation decisions. Compared to other AMCs which have launched CPPI based funds, UBL FM’s strategy has been aggressive, as reflected in higher allocation to equities, through most part of the life of these funds. As per management, a disciplined portfolio re-balancing mechanism is in place that is aimed at enabling these funds to meet their objectives. As one of the key rating parameters, JCR-VIS will continue to monitor the performance of assets under management over time; adverse trend in the same could trigger a rating review.

UBL FM is a wholly owned subsidiary of United Bank Limited (UBL), which is one of the largest financial institutions in Pakistan. The company benefits from the outreach provided through the bank’s branches, in addition to using its own sales channels, including Investment Centers and third party distributors. With total AUMs of Rs. 39.6b (excluding Separately Managed Assets & Fund of Fund Schemes) and market share of 9.8% at end June 2014, UBL FM is the 4th largest AMC in the mutual fund industry. At end June 2014, slightly more than a fifth of the company’s AUMs were contributed by retail investors; continued focus on retail market penetration is necessary to achieve sustainable growth over the long term.

	Latest	Previous
Rating	AM2+	AM2
	Dec 31, '14	April 3, '13
Outlook	Stable	Stable

	Performance Ranking	
	FY14	FY13
Money Market Funds		
ULPF	9/21	5/21
UMMF	Performance history too short	
AICF	3/4	3/3
Income Funds		
UGSF	5/8	5/6
UFBF	3/3	
AISF	1/3	2/3
Aggressive Fixed Income Funds		
UGIF	2/9	4/9
AIIF	1/3	2/3
Asset Allocation Funds		
UAAF	4/6	NA
AIAAF	5/6	NA
Equity Funds		
USAF	15/23	6/20
ASSF	2/9	3/7
Commodity Fund		
UGF	1/2	1/1
Principal Preservation Funds		
Number of peers not enough for ranking		

Unitholding pattern - June 30, 2014



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JCR-VIS Credit Rating Company Limited

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Rating History: UBL Fund Managers Limited

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
RATING TYPE: Management Quality				
31-Dec-14	AM2+	Stable		Upgrade
03-Apr-13	AM2	Stable		Reaffirmed
02-May-12	AM2	Stable		Reaffirmed
20-Apr-11	AM2	Stable		Reaffirmed
04-Feb-10	AM2	Stable		Upgrade