

RATING REPORT

National Investment Trust Limited (NIT)

REPORT DATE:

January 01, 2025

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
MQ Rating	AM1	AM1
Rating Date	Jan'01, 2025	Dec'28, 2023
Rating Outlook	Stable	Stable
Rating Action	Reaffirmed	Reaffirmed

COMPANY INFORMATION

Incorporated in October 1962	External auditors: <u>AMC</u> – A.F. Ferguson & Co. Chartered Accountants <u>CIS</u> – A.F. Ferguson and Co. Chartered Accountants, BDO Ebrahim & Co. Chartered Accountants & Crowe Hussain Chaudhry & Co. Chartered Accountants <u>CIS/VPS</u> – Grant Thornton Anjum Rahman Chartered Accountants
Unlisted Public Company	Chairman & Managing Director: Mr. Adnan Afridi
Key Shareholders (with stake 5% or more):	Chief Operating Officer: Mr. Manzoor Ahmed
<i>Industrial Development Bank Limited ~ 16.66%</i>	
<i>MCB Bank Limited ~ 16.66%</i>	
<i>Tajammal Foundation ~ 8.33%</i>	
<i>National Bank of Pakistan ~ 8.33%</i>	
<i>United Bank Limited ~ 8.33%</i>	
<i>Habib Bank Limited ~ 8.33%</i>	
<i>Pakistan Reinsurance Company Limited ~ 8.33%</i>	
<i>Government of Pakistan ~ 7.67%</i>	

APPLICABLE METHODOLOGY(IES)

Asset Management Companies

<https://docs.vis.com.pk/docs/AMC-Methodology-201906.pdf>

APPLICABLE RATING SCALE(S)

VIS Issue/Issuer Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

National Investment Trust Limited

OVERVIEW OF
THE AMC

RATING RATIONALE

National Investment Trust Limited (NIT), established in 1962, holds the distinction of being Pakistan's first Asset Management Company (AMC). It was initially created to manage the National Investment Unit Trust (NIUT), the country's first open-end mutual fund launched by the Government of Pakistan (GoP). Over time, NIT has significantly broadened its portfolio, now offering over 14 funds, including pension schemes and exchange-traded funds (ETFs). The AMC's headquarters are located in Karachi.

The external auditor for NIT is A.F. Ferguson & Co., which is categorized as an 'A' grade auditor by the State Bank of Pakistan.

Profile of Managing Director (MD)

Mr. Afridi brings nearly 28 years of extensive experience in the financial services and capital markets sectors, marked by a highly accomplished career. He holds an A.B. degree in Economics (Magna Cum Laude, 1992) from Harvard University and a J.D. degree in Corporate Law (Magna Cum

Headquartered in Karachi, National Investment Trust Limited ('NIT' or the 'AMC') is Pakistan's oldest AMC, and holds a pioneering position in the mutual fund sector, setting benchmarks for the industry. The GoP is the largest shareholder, both directly and indirectly through various state-owned entities, with additional ownership contributions from private sector institutions.

Assigned rating reflects National Investment Limited's ('NIT' or 'the AMC') strong niche position with demonstrated support as a seasoned AMC with a sound performance track. The ratings take into consideration its asset-management franchise, market position as one of the leading AMCs in the country, adequate governance & control framework, sound investment administration and a well-defined investment process which has translated into competitive fund returns particularly for the larger funds under management. Rating also incorporates NIT's robust financial profile and financial strength of its major shareholders, i.e. government and large commercial banks.

The Company operates under the oversight of a 15-member Board of Directors (including 5 Independent / Female Directors) and three active committees, ensuring accountability and compliance with best corporate governance practices. NIT's investment process is well-structured, with dedicated Investment Committees overseeing fund operations. Assigned rating also incorporates NIT's extensive outreach with a network of 27 branches spread nationwide. While NIT's market share has noted some volatility over time primarily due to equity market movements, its presence in the equity category remains significant. Retail concentration and investor granularity depicts improvement, however relative to peers, remains lower. While NIT has demonstrated resilience through growth in AUMs in FY24 and recovery in fund performance and has managed to diversify its portfolio in equity and money market funds as a result profitability remains strong, driven by revenue growth, improved efficiency, and a conservative financial risk profile.

Company Profile

National Investment Trust Limited ('NIT' or the 'AMC') is Pakistan's oldest AMC, and holds a pioneering position in the mutual fund sector, setting benchmarks for the industry. The GoP is the largest shareholder, both directly and indirectly through various state-owned entities, with additional ownership contributions from private sector institutions.

Laude, 1995) from Harvard Law School.

Key shareholders (more than 5%)	% ownership
Industrial Development Bank Limited	16.66%
MCB Bank Limited	16.66%
Tajammal Foundation	8.33%
United Bank Limited	8.33%
Habib Bank Limited,	8.33%
Pakistan Reinsurance Company Ltd	8.33%
National Bank of Pakistan	8.33%
Government of Pakistan	7.67%
Others	9.03%

Market Position

As of Jun'24, NIT's Assets Under Management (AUMs) registered a year-on-year (YoY) strong growth of 50.0%, however fell short of industry growth rate of 65.8%. Consequently, the AMC's market share saw a slight decline, standing at 4.9% (Jun'23: 5.3%). In 1QFY25, the AUMs further grew by 10.3%, slightly trailing behind the industry's growth of 13.0%, leading to a marginal reduction in its market share to 4.7% as of Sep'24. The AMC retained its rank as the 10th largest AMC in the industry. However, over time, market position of the Company has weakened with market share declining from 9% in 2020 to below 5% as of Sept 2024.

Table 1: Market Share

AUMs (in Rs. Mln)	Jun'23	Jun'24	Sep'24
NIT AMC	86,291	129,372	142,663
Shariah Proportion	10,813	13,396	14,738
Conventional Proportion	75,478	115,977	127,924
Number of Funds	17	19	19
Industry AUMs	1,621,039	2,621,444	3,036,040
Market Share (Industry)	5.3%	4.9%	4.7%
Market Share (Shariah Complaint)	1.4%	1.0%	1.1%
Market Share (Conventional)	8.6%	8.8%	7.8%
Market Share (Equity)	31.5%	30.5%	28.4%
Market Share (Money Market)	3.8%	3.9%	4.3%
Market Share (Income)	1.6%	1.1%	1.6%

In the Shariah-compliant asset management category, NIT's market share has remained nominal at 1% as of June 2024. NIT's presence is primarily concentrated in conventional funds, in which they have a niche in the equity category. NIT funds account for almost 30% of the equity category funds in the market. Their share in the income and money market funds has remained limited to 1.1% and 3.9% respectively.

Investment Process

A well-defined framework is in place to evaluate investment opportunities. Each fund operates through a dedicated Investment Committee (IC) comprising 7–8

voting members, including the fund manager, and representatives from the research, risk, and compliance departments, along with the Managing Director (MD), Chief Operating Officer (COO), and Chief Financial Officer (CFO). The IC meetings are convened on an as-needed basis, ensuring timely and effective decision-making.

Portfolio

Equity funds dominate the AMC's portfolio. In FY24, the share of equity funds increased slightly to 51.6% (FY23: 50.5%), while that of fixed-income funds (Income + Money Market) remained stable at 47.7% (FY23: 48.8%) of total AUMs (FY23: 89.1%).

As of Sep'24, within the fixed income category, the proportion of income funds increased to 12.9% (Jun'24: 7.6%, while the share of money market funds stood at 40.4% (Jun'24: 40.1%) by end-Sep'24. This shift highlights a growing preference among investors for income funds, driven by their ability to secure higher yields from longer-duration securities. In contrast, the proportion of equity funds declined to 46.0% by end-Sep'24.

Table 2: Segmentation of AUMs

Fund Type	AUMs (in Rs Million)			Proportion		
	Jun'23	Jun'24	Sep'24	Jun'23	Jun'24	Sep'24
Equity	43,537	66,779	65,594	50.5%	51.6%	46.0%
Income	6,447	9,778	18,389	7.5%	7.6%	12.9%
Money Market	35,631	51,870	57,669	41.3%	40.1%	40.4%
Others	677	946	1,010	0.8%	0.7%	0.7%
TOTAL	86,291	129,372	142,662	100.0%	100.0%	100.0%

In FY24, the AMC launched two new funds mainly in the employer pension fund category. The newly introduced conventional fund, NIT KP Pension Fund, achieved AUMs of PKR 42.9 mn by the end of Jun'24. Similarly, within the Islamic category, the NIT KP Islamic Pension Fund reported AUMs of PKR 60.5 mn.

Off the total 19 funds as of June 30, 2024, 9 were open ended, 1 Exchange Traded Fund (ETF), 2 Employer pension funds and 7 Voluntary pension scheme funds.

Fund & Retail Concentration

NIT's fund concentration remains high with two funds National Investment Unit Trust (NIUT) and NIT Money Market Fund (NMMF) make 82% of the total AUMs, while single fund concentration stands at 48% as of June 30, 2024.

Retail presence relative to peers remains low with retail share of AUMs at 31.9% of total AUMs as of Jun'24 (Jun'23: 29.3%). The two flagship funds NIUT and NMMF recorded retail proportion of 31% and 26% respectively.

The client base of NIT AMC expanded by 2.39% over the 15-month period from Jun'23 to Sep'24, reaching 101.81K clients by Sep'24 (Jun'24: 101.45K; Jun'23: 99.43K). Of these, approximately 54% are active clients.

Top ten client concentration across funds depict a higher proportion. Leading funds top 10 client concentration is at 47% and 38% while overall average concentration is around 67%. The AMC does not offer any separately management of accounts.

NIT has its web portal, whatsapp and mobile application (both android & ios) in place for smooth account opening and investment & redemption processing. In order to facilitate clients and prospects, NIT has also extended its reach through social media platforms like Facebook, LinkedIn, Instagram, etc.

Fund performance

The fund's performance in terms of returns relative to its peers indicates a less favorable trend. The proportion of AUMs in the top two quartiles decreased to 22.9% in FY24 (compared to 48.6% in FY23). However, this rebounded significantly to 81.5% during 1QFY25, highlighting a recovery. This recovery was primarily driven by the positive return performance of NIUT.

At the end of 1QFY25, NIT managed 19 funds, an increase from 17 funds in FY24. Among these, the number of funds ranked in the first two quartiles increased to 4 by Sep'24 (Jun'24: 2; Jun'23: 7), while those in the last quartile remained at 2 (Jun'24: 2; Jun'23: 1). As shown in table below there is a shift from the top quartile to the bottom two quartiles which reflects an overall decline in fund performance.

Rs. In million	Jun'23	Jun'24	Sep'24
Total AUMs in Q1	30,675	43,095	48,457
Total No. funds in Q1	3	1	1
Total AUMs in Q2	11,224	1,612	67,790
Total No. funds in Q2	4	1	3
Q1 & Q2 Proportion of AUMS	48.60%	22.90%	81.50%
Total AUMs in Q3	2,083	78,246	10714
Total No. funds in Q3	1	5	3
Total AUMs in Q4	41,232	4,716	13,867
Total No. funds in Q4	1	2	2

The relative performance of equity and income funds has remained constrained. Excluding the money market category, where a higher ranking was driven by the performance of a single fund, the AMC's fund performance generally ranked in the lower quartiles across respective categories.

Corporate Governance

The Board of Directors currently comprises 15 members, representing all major sponsors including 5 independent/ female directors. Except for the CEO/MD,

all directors are in the non-executive category. The Board operates through three committees: the Audit Committee (AC), the Human Resource & Remuneration Committee (HRRC), and the Risk Management Committee (RMC).

Key internal control functions include Internal Audit, Compliance, and Risk Management. Adhering to corporate governance best practices, the Internal Audit function reports directly to the Board Audit Committee, ensuring independence and transparency.

Profitability

The profitability of NIT is supported by significant revenue growth and a conservative financial risk profile. In FY24, total revenue increased to PKR 3021.9mn (FY23: PKR 1709.4 mn), primarily driven by an increase in management fees amid AUMs growth alongside an rise in share of profit from associates. Operating expenses grew at a slower rate of 4.0% during FY24, further supporting profitability, as reflected in the efficiency ratio, which improved to 32.3% (FY23: 54.8%). The AMC maintains a conservative financial risk profile, supported by minimal debt on its balance sheet.

<u>Financial Summary</u>	<u>Appendix I</u>			
<u>National Investment Unit Trust Fund (NIUT)</u>	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	54,679	41,232	63,395	62,227
Return (%)	11.84%	16.04%	74.96%	5.64%
Benchmark (%)	12.28%	0.21%	89.24%	3.40%
Retail Proportion (% of Net assets)	34.94%	32.29%	31.08%	31.45%
Ranking Against Peers	6 out of 26	24 out of 26	19 out of 25	10 out of 25
<u>NIT – Islamic Equity Fund (NIT IEF)</u>	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	2,574	2,083	3,281	3,034
Return (%)	18.31%	2.66%	79.95%	0.52%
Benchmark (%)	10.25%	2.88%	78.70%	1.32%
Retail Proportion (% of Net assets)	32.39%	30.53%	28.07%	22.56%
Ranking Against Peers	10 out of 19	10 out of 19	19 out of 19	7 out of 19
<u>NIT – Income Fund (NIT IF)</u>	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	3,716	2,431	2,574	2,681
Return (%)	10.64%	17.10%	22.20%	17.82%
Benchmark (%)	10.81%	18.33%	21.88%	10.82%
Retail Proportion (% of Net assets)	12.62%	16.70%	26.07%	27.70%
Ranking Against Peers	4 out of 30	12 out of 24	15 out of 26	24 out of 29
<u>NIT – Islamic Income Fund (NIT IIF)</u>	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	830	827	1,610	2,354
Return (%)	9.67%	16.54%	21.50%	17.82%
Benchmark (%)	3.34%	6.05%	10.97%	10.82%
Retail Proportion (% of Net assets)	70.46%	65.34%	60.73%	89.16%
Ranking Against Peers	4 out of 21	7 out of 23	12 out of 31	16 out of 33
<u>NIT – Money Market Fund (NIT MMF)</u>	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	18,583	27,745	43,100	48,457
Return (%)	10.79%	17.98%	22.72%	20.70%
Benchmark (%)	9.28%	17.01%	20.90%	18.39%
Retail Proportion (% of Net assets)	19.68%	24.95%	26.30%	23.89%
Ranking Against Peers	9 out of 21	2 out of 24	2 out of 27	1 out of 28
<u>NIT – Government Bond Fund (NIT GBF)</u>	FY22	FY23	FY24	1QFY25

Fund Size (in Rs. millions)	3,008	1,918	3,551	11,116
Return (%)	9.32%	16.26%	21.86%	24.10%
Benchmark (%)	10.67%	18.14%	21.67%	18.15%
Retail Proportion (% of Net assets)	11.74%	16.01%	38.27%	37.44%
Ranking Against Peers	16 out of 30	2 out of 9	7 out of 11	10 out of 11
<u>NIT – Asset Allocation Fund (NIT AAF)</u> (Launched in April 2020)				
Fund Size (in Rs. millions)	564	477	665	698
Return (%)	5.69%	8.23%	51.69%	3.44%
Benchmark (%)	1.01%	12.57%	50.47%	4.18%
Retail Proportion (% of Net assets)	17.18%	8.18%	6.17%	31.45%
Ranking Against Peers	4 out of 12	5 out of 13	8 out of 12	9 out of 12
<u>NIT – Social Impact Fund (NIT SIF)</u> (Launched in May 2022)				
Fund Size (in Rs. millions)	735	1,007	1,662	1,601
Return (%)	14.93%	18.60%	23.07%	18.70%
Benchmark (%)	15.22%	18.33%	21.88%	18.47%
Retail Proportion (% of Net assets)	6.92%	30.09%	57.88%	54.04%
Ranking Against Peers	2 out of 33	4 out of 24	26 out of 26	19 out of 29
<u>NIT – Islamic Money Market Fund (NIT IMMF)</u> (Launched in September 2023)				
Fund Size (in Rs. millions)	2,604	7,486	8,027	8,432
Return (%)	10.23%	16.95%	21.43%	17.72%
Benchmark (%)	3.78%	6.23%	10.27%	10.66%
Retail Proportion (% of Net assets)	26.97%	34.97%	58.70%	65.00%
Ranking Against Peers	16 out of 17	6 out of 17	17 out of 24	16 out of 25
<u>NIT – Pakistan Gateway Exchange Traded Fund (NIT PGETF)</u> (Launched in March 2020)				
Fund Size (in Rs. millions)	38	37	66	70
Return (%)	12.56%	9.55%	93.40%	3.63%
Benchmark (%)	11.00%	10.85%	100.88%	4.22%
<u>NIT – Equity Market Opportunity Fund (NIT EMOF)</u>				
Fund Size (in Rs. millions)	6,818	5,603	10,107	10,929
<u>NIT – State Enterprise Fund (NIT SEF)</u>				
Fund Size (in Rs. millions)	1,257	1,081	1,788	1,930

NIT – Pension Fund (NIT PF)	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	546	625	924	964
NIT – Islamic Pension Fund (NIT IPF)	FY22	FY23	FY24	1QFY25
Fund Size (in Rs. millions)	383	412	608	634

<u>Financial Summary</u>			<u>Appendix II</u>	
Balance Sheet (PKR Millions)	Jun'22	Jun'23	Jun'24	Sep'24
Paid Up Capital	95.0	95.0	95.0	95.0
Total Equity	10,556.4	8,403.3	12,891.6	13,724.3
Income Statement (PKR Millions)				
Total Income	Jun'22	Jun'23	Jun'24	Sep'24
Total Income	1598.5	1709.4	3021.9	609.9
Profit Before Tax	723.4	896.4	2,614.2	414.1
Profit After Tax	556.8	445.7	1,166.1	299.6
Ratio Analysis				
Efficiency Ratio (%)	Jun'22	Jun'23	Jun'24	Sep'24
Efficiency Ratio (%)	52.9%	54.8%	32.8%	34.2%
Current ratio (x)	0.75	0.69	0.84	0.85
Gearing (x)	0.02	0.01	0.01	0.01

REGULATORY DISCLOSURE		Appendix III		
Name of Rated Entity	National Investment Trust Limited			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	01/01/2025	AM1	Stable	Reaffirmed
	12/28/2023	AM1	Stable	Reaffirmed
	12/29/2022	AM1	Stable	Reaffirmed
	12/30/2021	AM1	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on Management quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	N/A			
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Due Diligence Meeting Conducted	Name	Designation	Date	
	Aamir Amin	CFO	26 th December 2024	
	Raza Abbas Jafery	Head of Equities		
	Shoaib A. Khan	Head of Fixed Income		
	Murtaza Hasan	Head of Sales		
Faisal Aslam	Head of Compliance			