

RATING REPORT

Faysal Asset Management Limited

REPORT DATE:

December 31, 2021

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	Management Quality	
MQ Rating	AM2+	AM2+
Rating Outlook	Stable	Stable
Rating Date	December 31, 2021	August 10, 2021
Rating Action	Reaffirmed	Upgrade

COMPANY INFORMATION

Incorporated in August 2003	External auditors: M/s A. F. Ferguson & Co., Chartered Accountants
Unlisted Public Limited Company	Chairman of the Board: Mr. Salman Ahmed Usmani
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Khaldoon bin Latif
Faysal Bank Limited – 99.99%	

APPLICABLE METHODOLOGY(IES)

VIS Management Quality Rating Criteria: Asset Management Companies (June, 2019)

<http://vis.com.pk/kc-meth.aspx>

Faysal Asset Management Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>Faysal Asset Management Limited (Faysal AML) was incorporated in 2003 as an unlisted public limited company under Companies Ordinance, 1984. It is licensed to conduct asset management and investment advisory services.</p> <p>Profile of Chairman Mr. Salman Usmani has an extensive experience of over three decades in the local as well as multinational banking sector. His broad expertise covers Treasury and Risk Management, Asset and Liability Management, Strategic Planning, Corporate Restructuring, Strategic Negotiations, Acquisitions and Strategic Alliances and International Operations. Presently, he is associated with Faysal Bank Limited as Head of Treasury. Prior to joining Faysal Bank Limited, he was also associated with MCB Bank Limited as Global Treasurer and Head Investment Banking Group. His past experience has been with organizations such as ANZ Grindlays, American Express, Bank of America, Mashreq Bank, United Bank Limited & MCB Bank Limited. He holds an MBA Degree from Grand Valley State University, USA.</p> <p>Profile of CEO Mr. Latif has extensive experience in brokerage, open and close-end mutual funds management, equity brokerage. Mr. Latif has served at a number of Asset management companies of Pakistan, including BMA Asset management as CEO, JS Investments Ltd as CIO, KASB Funds as CEO.</p>	<p>Faysal Asset Management Limited ('FAML' or 'the AMC') was incorporated in 2003 as an unlisted public limited company. Faysal Funds is a subsidiary of Faysal Bank Limited (FBL). FBL holds 99.99% shares of Faysal Funds. It is licensed to conduct asset management and investment advisory services.</p> <p>Key Rating Drivers:</p> <p>Strong growth trend in AUM's continued and improvement in market share has been noted. Planned diversification of product suite would bode well for MQ Ratings.</p> <ul style="list-style-type: none"> FAML's AUM's posted growth of 106% YoY in FY21, a trend which continued in 5M'FY22 (Nov'21: Rs. 74b; Jun'21: Rs. 62.0b; Jun'20: Rs. 30.1b). FAML launched 7 new funds during FY21 which include 4 schemes of Faysal Islamic Financial Planning Fund in addition to Faysal Cash Funds (conventional and Islamic variants) and one Islamic Equity Scheme Faysal Islamic Stock Fund. During 5M'FY22, the AMC further enhanced its product range by launching 4 new funds, including 2 pension funds (Conventional and Islamic), Faysal Shariah Capital Preservation Plan (VIII) and Faysal Special Savings Fund. As of Nov'21, FAML had a total of 28 funds in its product portfolio. Faysal Funds has also acquired licenses of Private Equity and REIT Management funds. Management is planning to further widen its product portfolio by launching private equity/venture capital fund, exchange traded fund(s) and private hedge fund in addition to CPPI plans and money market/income funds. Around 77% of the total AUM's are invested in market funds/income funds as at Nov'21, being the leading asset class, followed by investment in equities and others comprising the remaining. Diversification in AUM asset class distribution would be considered positively from an MQ ratings purview. In line with the conversion of FBL to an Islamic Bank scheduled for 2022, the AMC will also eventually be transformed to an Islamic AMC, which is likely to pose a challenge for FAML in terms of maintaining market positioning. VIS will continue to closely monitor FAML's market positioning on an ongoing basis. SMA portfolio has increased to 51 clients with AUM's of Rs. 7.58b as at Nov'21 (Jun'21: 6.7b, Jun'20: 2.1b) <p>Ratings incorporate strong growth in clientele and improving investor granularity</p> <ul style="list-style-type: none"> Retail AUMs in relation to total AUMs stayed intact and stood at 40.9% as of Nov'21. However, we have noted improvement in investor granularity as indicated by holdings by largest 10 investors comprising 35.2% of the total AUM's as at Jun'21 vis-à-vis 42.8% as at Jun'20. There is further room for improvement in terms of investor granularity. Going forward, management has envisaged further improvement in investor granularity, on the back of retail sales focus. Management's strategic plans are as follows: <ul style="list-style-type: none"> FAML will continue to focus on growing AUMs by way of cross selling through FBL branches. Moreover, in-house sales team, which has been growing, is planned to be increased further.

- The AMC has also taken technological initiatives in order to support growth which includes mobile application (testing stage), RDA integration with Faysal Bank, Digital account opening and processing of investment redemption on web portal, and automated Islamic credit card / personal loan transactions for FBL customers. Also, exclusive affiliation with Easypaisa, is on the anvil, this will allow FAML to digitally distribute its products to micro-investors.

Rating takes into account fund performance, which compares favorably to peers

- Fund performance remained strong in FY21 with 10 off 22 funds (representing 45% of AUMs) posted return rankings in the first quartile.
- For FY21, 3 funds are in quartile 2, 3 funds are in quartile 3 followed by 6 funds in quartile 4 comprising 16%, 11% and 28% of the AUMs respectively.
- Going forward, the consistent fund performance in terms of benchmarks returns and favorable peer ranking is considered important from rating purview.

FAML standalone risk profit has depicted improvement as AMC has transformed into a profit making entity.

- Given the increase in AUMs, management fee and sales load increased to Rs. 159m and Rs. 65m in CY20. Total revenue in CY20 clocked in at Rs.290m.
- During 9MCY21, the growth in AUMs continues supporting the uptick in revenue base, with the same being up 1.9x vis-à-vis SPLY. Resultantly bottom line for the period stood at Rs. 182m vis-à-vis Rs. 5m in SPLY.
- Given strong growth in revenue base, efficiency ratio has posted improvement (9MCY21: 42% CY20: 73%). Given the improvement in revenue base AMC has transformed into a profit making entity.
- As shown in the table below, there is no debt on the company's balance sheet, which translates in low financial risk profile.

<i>Financial Snapshot (PkR Mn.)</i>	<i>2HCY19*</i>	<i>CY20</i>	<i>9MCY21</i>
Profit & Loss			
Total Revenue	80	290	440
(Loss) / Profit Before Tax	(17)	91	255
(Loss) / Profit After Tax	(13)	140	182
Efficiency (%)	122%	73%	42%
Balance Sheet			
	Dec'19	Dec'20	Sep'21
Fixed Assets	57	36	31
Investments	231	721	843
Total Assets	390	1,063	1,267
Lease Liabilities	55	43	20
Total Liabilities	101	134	156
Paid Up Capital	430	930	930
Accumulated Profit / (Loss)	(160)	(21)	161
Total Equity	290	929	1,111
Gearing (x)	0.20	0.05	0.02
Leverage (x)	0.37	0.15	0.14

*FAML changed its financial year to CY basis

Strong sponsor profile & demonstrated support track record of Sponsor

- Given FAML's conversion into a wholly owned subsidiary of FBL, all strategic plans and decision making now emanate from a single dedicated sponsor. These include investment policy decisions like expected changes in monetary policies among others. In addition, FBL has also injected additional Rs. 500m in FAML during 2020.

- Investment decision making infrastructure at FAML includes 4 functional Investment Committees (ICs), wherein composition changes depending on type of asset class. There is a team of 5 fund managers, 2 each for fixed income and equities and 1 for VPS. The Research function comprises 4 analysts in addition to the HoD (Director Research). Head of Risk, Head of Compliance and CFO are part of ICs. All members in the ICs are voting members.
- Board Risk Management Committee (BRMC) has been formed in 2021 and the first BRMC meeting was held in Mar'21. BRMC has three Directors and CEO as members with FBL's Chief Risk Officer (CRO) being chair of the committee and FAML's Head of Risk as secretary.
- Risk department has developed Enterprise Risk Management (ERM) framework in order to conduct company wide operational risk assessment. The function is in the process of implementing Risk Control Self-Assessment (RCSA), subsequent to which Key Risk Indicators (KRI) will be mapped. FAML's back office is outsourced to an independent entity, IT Minds, which has relevant information security certifications in place such as ISO 27001.

FINANCIAL SUMMARY		Appendix I			
<u>Faysal Money Market Fund</u>	FY18	FY19	FY20	FY21	
Fund Size (in Rs. millions)	2,246.60	2,768.80	5,244.96	7,988.17	
Return (%)	5.23	8.87	12.57	6.89	
Benchmark (%)	5.4	8.7	11.65	6.70	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	16.2	8.3	8.7	9.8	
Ranking Against Peers	14/22	10/20	14/21	9/22	
Launch date: December 2010					
<u>Faysal Savings Growth Fund</u>					
Fund Size (in Rs. millions)	2,187.30	1,570.00	2,610.85	2,430.89	
Return (%)	4.9	7.59	11.67	6.47	
Benchmark (%)	6.4	10.2	12.22	7.43	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	33.5	31.2	21.6	23.3	
Ranking Against Peers	18/29	21/31	29/31	17/31	
Launch date: May 2007					
<u>Faysal Financial Sector Opportunity Fund</u>					
Fund Size (in Rs. millions)	110.7	702.4	1,082.00	895.70	
Return (%)	4.85	8.81	12.91	6.77	
Benchmark (%)	6.4	10.2	12.22	7.43	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	72.7	48.2	69.7	70.2	
Ranking Against Peers	19/29	10/31	23/31	31/31	
Launch date: July 2013					
<u>Faysal Islamic Savings Growth Fund</u>					
Fund Size (in Rs. millions)	1,013.30	1,643.40	2,241.25	4,013.61	
Return (%)	4.42	7.85	10.67	6.75	
Benchmark (%)	2.4	3.7	6.33	3.56	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	34.8	29.6	31.7	50.3	
Ranking Against Peers	9/20	11/21	13/21	4/22	
Launch date: June 2010					
<u>Faysal Income & Growth Fund</u>					
Fund Size (in Rs. millions)	902.3	544.8	773.49	1,100.72	
Return (%)	5.15	7.81	11.19	6.81	
Benchmark (%)	6.7	10.7	12.26	7.77	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	18.5	16.9	10.7	6.5	
Ranking Against Peers	4/7	3/7	5/7	6/7	
Launch date: October 2005					
<u>Faysal Asset Allocation Fund</u>					
Fund Size (in Rs. millions)	186.8	95.1	113.69	321.98	
Return (%)	-21.64	-20.96	1.83	92.39	
Benchmark (%)	-5.8	-7.3	6.01	34.00	
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	47.9	45.7	14.0	71.3	
Ranking Against Peers	12/12	13/13	9/15	1/14	
Launch date: July 2006					
<u>Faysal Stock Fund</u>					
Fund Size (in Rs. millions)	221.4	116.5	104.94	2,425.18	
Return (%)	-18.31	-28.24	4.57	81.45	

Benchmark (%)	-10.0	-19.1	1.53	37.58
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	45.4	26.6	27.9	35.2
Ranking Against Peers	22/24	24/27	8/24	3/27
Launch date: April 2004				
<u>Faysal Islamic Asset Allocation Fund</u>				
Fund Size (in Rs. millions)	428.6	180	1,833.9	2,665.46
Return (%)	-19.77%	-19.46	10.89	8.33
Benchmark (%)	-5.2	-13.2	4.48	3.56
Retail Proportion (% of Net assets – Sep'20 in FY20 column)	0.5	58.4	2.4	1.8
Ranking Against Peers	10/12	12/13	1/11	9/12
Launch date: September 2015				
<u>Faysal MTS Fund</u>				
Fund Size (in Rs. millions)	644	838.3	1,000.64	5,461.44
Return (%)	5.63	9.04	13.04	8.02
Benchmark (%)	6.4	10.2	12.22	7.43
Retail Proportion (% of Net assets – Oct'19)	59.9	66.8	62.9	52.6
Ranking Against Peers	5/29	8/31	22/31	1/31
Launch date: April 2016				
<u>Faysal Sharia Capital Preservation Plan Fund</u>				
Fund Size (in Rs. millions)			961.98	766.22
Return (%)			5.39*	16.55
Benchmark (%)			5.91*	16.27
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			98.0	91.6
Ranking Against Peers			10/31	5/28
Launch date: July 2019				
<u>Faysal Sharia Capital Preservation Plan Fund-II</u>				
Fund Size (in Rs. millions)			1,088.40	930.47
Return (%)			3.28*	20.75
Benchmark (%)			5.28*	18.00
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			99.0	98.7
Ranking Against Peers			13/31	1/28
Launch date: September 2019				
<u>Faysal Sharia Capital Preservation Plan Fund-III</u>				
Fund Size (in Rs. millions)			1,249.65	1,271.89
Return (%)			1.88*	21.32
Benchmark (%)			4.14*	18.22
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				97.7%
Ranking Against Peers			21/32	2/28
Launch date: March 2020				
<u>Faysal Sharia Capital Preservation Plan Fund-IV</u>				
Fund Size (in Rs. millions)				441.08
Return (%)				14.03*
Benchmark (%)				13.25*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				98.7%
Ranking Against Peers				7/28
Launch date: July 2020				

<u>Faysal Sharia Capital Preservation Plan Fund-V</u>				
Fund Size (in Rs. millions)				1,017.06
Return (%)				10.50*
Benchmark (%)				10.32*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				99.3%
Ranking Against Peers				11/28
Launch date: October 2020				
<u>Faysal Sharia Capital Preservation Plan Fund-VI</u>				
Fund Size (in Rs. millions)				1,481.34
Return (%)				5.69*
Benchmark (%)				4.69*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				96.0%
Ranking Against Peers				18/28
Launch date: December 2020				
<u>Faysal Sharia Capital Preservation Plan Fund-VII</u>				
Fund Size (in Rs. millions)				3,099.39
Return (%)				1.98*
Benchmark (%)				1.68*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				98.9%
Ranking Against Peers				28/28
Launch date: December 2020				
<u>Faysal Halal Amdani Fund</u>				
Fund Size (in Rs. millions)			6,592.41	10,300.26
Return (%)			11.75*	6.78
Benchmark (%)			5.36*	3.41
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			48.4	38.9%
Ranking Against Peers			3/9	14/14
Launch date: October 2019				
<u>Faysal Financial Value Fund</u>				
Fund Size (in Rs. millions)			1,691.66	1,868.86
Return (%)			6.57*	9.53
Benchmark (%)			6.56*	7.29
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			100.0	100.0
Ranking Against Peers			4/15	11/14
Launch date: December 2019				
<u>Faysal Government Securities Fund</u>				
Fund Size (in Rs. millions)			2,753.26	1,051.58
Return (%)			10.90	6.80
Benchmark (%)			8.73	7.28
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			0.0	0.0
Ranking Against Peers			31/31	14/31
Launch date: March 2020				
<u>Faysal Islamic Dedicated Equity Fund</u>				
Fund Size (in Rs. millions)			995.31	4,181.84
Return (%)			-20.97*	47.23
Benchmark (%)			-20.38*	39.32

Retail Proportion (% of Net assets – Sep'20 in FY20 column)			0.0	n/a
Ranking Against Peers			n/a	n/a
Launch date: January 2020				
<u>Faysal Active Principal Preservation Plan</u>				
Fund Size (in Rs. millions)			739.32	565.47
Return (%)			6.65*	19.83
Benchmark (%)			2.83*	20.61
Retail Proportion (% of Net assets – Sep'20 in FY20 column)			n/a	95.6
Ranking Against Peers			n/a	n/a
Launch date: December 2019				
<u>Faysal Islamic Stock Fund</u>				
Fund Size (in Rs. millions)				744.81
Return (%)				40.73*
Benchmark (%)				27.81*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				29.5
Ranking Against Peers				2/19
Launch date: July 2020				
<u>Faysal Islamic Cash Fund</u>				
Fund Size (in Rs. millions)				11,350.93
Return (%)				6.95*
Benchmark (%)				3.38*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				2.9
Ranking Against Peers				1/14
Launch date: August 2020				
<u>Faysal Cash Fund</u>				
Fund Size (in Rs. millions)				113.59
Return (%)				5.62*
Benchmark (%)				6.65*
Retail Proportion (% of Net assets – Sep'20 in FY20 column)				0.0
Ranking Against Peers				22/22
Launch date: January 2021				

**FY to date returns*

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>			
<u>BALANCE SHEET</u>	2HCY19*	CY20	9MCY21
Paid Up Capital	430	930	930
Total Equity	290	929	1,111
<u>INCOME STATEMENT</u>			
Total income	80	290	440
(Loss) / Profit Before Tax	(17)	91	255
(Loss) / Profit After Tax	(13)	140	182
<u>RATIO ANALYSIS</u>			
Net Cash (Used in) / Generated from Operating Activities	-44.8	-48.8	213.2
Current Ratio (x)	5.53	7.32	7.15
Gearing (x)	0.20	0.05	0.02

*FAML changed its financial year to CY basis

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix III

VIS Credit Rating Company Limited

RATING SCALE & DEFINITIONS: **MUTUAL FUNDS**

These ratings/rankings are not a recommendation to buy, sell, or hold any investment, in as much as they do not comment as to the yield or suitability for a particular investor. Eventually the risk/reward trade-off should be solely determined by investors.

MANAGEMENT QUALITY RATINGS**AM1:**

Asset manager exhibit Excellent management characteristics

AM2++, AM2+, AM2:

Asset manager exhibit Very Good management characteristics

AM3++, AM3+, AM3:

Asset manager exhibit Good management characteristics

AM4++, AM4+, AM4:

Asset manager exhibit Adequate management characteristics

AM5:

Asset manager exhibit Weak management characteristics

For harmony in notations, single plus (+) or double plus (++) have replaced notation of plus (+) or minus (-) to indicate the relative degree of strength within each category.

For companies undertaking Investment Advisory Services only, the Management Quality Rating Scale is appended with the suffix 'IA' to distinguish it from other Management Quality Ratings outstanding by VIS.

For companies undertaking REIT Management Services only, the Management Quality Rating Scale is appended with the suffix 'RMC' to distinguish it from other Management Quality Ratings outstanding by VIS.

Rating Watch: VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.vis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.vis.com.pk/images/criteria_outlook.pdf

FUND PERFORMANCE RANKINGS

MFR 5-Star (top 10%) Very good performance

MFR 4-Star (next 22.5%) Good performance

MFR 3-Star (next 35%) Average performance

MFR 2-Star (next 22.5%) Below average performance

MFR 1-Star (last 10%) Weak performance

Being based on actual performance, no Outlook or Rating Watch can be assigned to fund performance rankings.

FUND STABILITY RATINGS**AAA(f)**

Highest degree of stability in Net Asset Value; Risk is negligible with very low sensitivity to changing economic conditions.

AA+(f), AA(f), AA-(f)

High degree of stability in Net Asset Value; Risk is modest but may vary slightly from time to time because of changing economic conditions.

A+(f), A(f), A-(f)

Moderate degree of stability in Net Asset Value; Risk factors may vary with possible changes in the economy.

BBB+(f), BBB(f), BBB-(f)

Adequate degree of stability in Net Asset Value; Risk factors are considered variable if changes occur in the economy.

BB+(f), BB(f), BB-(f)

Low degree of stability in Net Asset Value; Risk factors are sensitive to changes in the economy.

B(f)

Very low degree of stability in Net Asset Value; Risk factors are capable of fluctuating widely if changes occur in the economy.

The fund stability rating scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings.

While no outlook is assigned to the fund stability rating, the same may be placed under 'Rating Watch' if VIS views that the status of the assigned rating is uncertain and there are conditions present that necessitate reevaluation of the assigned rating. VIS also designates direction, Positive, Negative or Developing, to ratings placed under 'Rating Watch'. This shows VIS's opinion regarding the likely direction of a rating. Developments in factors other than those that necessitated the 'Rating Watch' may result in a rating change, while the rating continues to be placed under 'Rating Watch'.

REGULATORY DISCLOSURE III				Appendix
Name of Rated Entity	Faysal Asset Management 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
	31-Dec-21	AM2+	Stable	Reaffirmed
	10-Aug-21	AM2+	Stable	Upgrade
	31-Dec-20	AM2	Positive	Maintained
	18-Feb-20	AM2	Stable	Upgrade
	25-Jun-19	AM3+	Positive	Upgrade
	19-Mar-18	AM3	Rating Watch- Developing	Downgrade
	4-May-16	AM3++	Stable	Reaffirmed
	25-Mar-16	AM3+	Stable	Reaffirmed
	11-Jun-15	AM3+	Stable	Reaffirmed
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	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2021 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.			
Due Diligence Meetings	Name	Designation	Date	
	Mr. Saad H Qureshi	Head of Strategy	December 21, 2021	
	Mr. Imad Ansari	Head of Risk		