

RATING REPORT

Faysal Asset Management Limited

REPORT DATE:

December 29, 2023

RATING ANALYSTS:

M. Amin Hamdani

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Rating Category	Latest Rating	Previous Rating
	Management Quality	
MQ Rating	AM2++	AM2++
Rating Outlook	Stable	Stable
Rating Date	December 29, 2023	December 30, 2022
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. Yousaf Hussain
Key Shareholders (with stake 5% or more):	Chief Executive Officer: Mr. Nadir Rahman
Faysal Bank Limited – 99.99%	

APPLICABLE METHODOLOGY(IES)**VIS Management Quality Rating Criteria: 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>

Faysal Asset Management Limited

OVERVIEW OF THE INSTITUTION

Faysal Asset Management Limited (FAML) 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.

Profile of Chairman

Mr. Yousaf Hussain has over 26 years of professional experience, primarily at ABN AMRO Bank where he held multiple senior managerial positions. He has been with Faysal Bank since 2008, with significant contributions as Chief Risk Officer, Regional Corporate Banking Head and Head of Special Assets Management Group. His experience also include senior role at Samba Bank and earlier assignments with Mashreq Bank and Mobilink. Mr. Yousaf has a Bachelor of Science degree in Electrical Engineering and has done his MBA from Lahore University of Management Sciences.

Profile of CEO

Mr. Nadir Rahman has an experience of around 32 years in capital markets of Pakistan and international of which 16 years at C level positions. His last appointment was with Pakistan Stock Exchange for 3 years as COO. Prior to that he has served as CEO of BMA Capital Management for 3 years, Group CEO in Mega & Forbes and CEO at KASB Securities, JS Global Capital and Mashreq Asset Management. He was the founder and first CEO of Foundation Securities. In addition, he has been associated with Bukhatir Investments, Fauji Foundation, Standard Chartered Bank, ABN AMRO/Rothschild and Citibank in various junior, middle and senior management roles. Mr. Nadir holds dual Bachelor's degrees from the University of Pennsylvania – The Wharton

RATING RATIONALE

Faysal Asset Management Limited ('FAML' or 'the AMC') was incorporated in 2003 as an unlisted public limited company. Faysal Asset Management Limited is a subsidiary of Faysal Bank Limited (FBL). FBL holds 99.99% shares of Faysal Asset Management Limited. It is licensed to conduct asset management and investment advisory services.

Key Rating Drivers:

AUM growth remained in line with the overall mutual fund industry

- FAML AUMs registered a growth of ~31% Y/Y during FY23 compared to an industry growth of ~28% Y/Y. During 1QFY24, FAML AUMs grew by ~11% against the industry growth of ~15%. Cumulatively, on a 15 month basis (Jul'22-Sep'23), FAML AUMs registered an increase of 42% which in line with the industry growth of 43% during same period.
- Resultantly, market positioning of FAML stood same at 8th ranked during Sep'23 and Jun'23 compared to Jun'22.
- As of Sep'23, 74% of the total AUMs of the AMC remain concentrated in top 3 funds namely Faysal Halal Amdani, Faysal Islamic Cash, Faysal Financial Sector Opportunity Fund (Jun'23: 75%). Faysal Financial Sector Opportunity Fund witnessed a significant yearly growth of 2.13x during FY23 to secure a third position in terms of AUM size.
- Top 3 funds concentration was standing at around 52% as at Jun'22 wherein the Faysal Money Market Fund was standing at the third position.
- During FY23, Faysal Financial Sector Opportunity Fund, Faysal Halal Amdani Fund and Faysal Islamic Cash Fund witnessed a highest growth rates of 2.13x, 1.28x and 49%, respectively.
- However, on the declining side, the major decline in AUMs was witnessed in Faysal Cash Fund, Faysal Stock Fund and Faysal Money Market Fund of 88%, 84% and 82%, respectively.
- During the year, the AMC has launched 1 new fund named Faysal Islamic Sovereign Fund (Plan 1) which falls in the Shariah Compliant Income category. Going forward, the management has plans to enhance the product portfolio with some innovative products in the pipeline.
- On the conversion of conventional AUMs to Islamic, 77% of the AUMs has already been converted to shariah compliant as at Sep'23 (Jun'22: 65%).
- Major portion of the new investments in FY23 are coming from AMC own branches which is 69% followed by 13% from third parties, 9% from bank channel (sold by bank staff) and 8% from AMC sales team sitting in Faysal Bank branches.
- FAML's SMA portfolio depicts decline on a timeline basis. As at June'23, overall AUMs declined to Rs. 2.1b (June'22: 6.7b) while number of clients also decreased to 20.

Assigned rating incorporate investors granularity and concentration levels

- Investor concentration stayed intact during the period under review with retail proportion stood at 51% as at Sep'23 (Jun'22: 49%) of total AUMs.
- Top-10 client concentration registered improvement as top 10 investors hold approximately 25% (Jun'22: 30%) of the total AUM as at Sep'23.
- Going forward, the AMC is focusing both on corporate and retail front through both increasing of sales force and focus on digital onboarding.

Rating takes into account fund performance

- As at Jun'23, fund performance depicted improvement as over 81% of FAML's total AUMs remained deployed in the 1st Quartile (Jun'22: 63%).
- Their flagship money market and income funds including Faysal Halal Amdani, Faysal Cash Fund and Faysal Financial Sector Opportunity Fund continued to perform in Q1 in FY23.

School and The College of Arts and Sciences.

However, fund performance in the equity segment remained subdued with all the equity fund remained in 4th quartile.

- Fund performance witnessed a slight dip during 1QFY24 with Faysal Halal Amdani Fund dropped in 2nd quartile while Faysal Islamic Cash fund and Faysal Financial Sector Opportunity Fund remained in 1st Quartile.

Fund performance

Rs. in Mn.	June'22	June'23	Sept'23
Sum of AUMs of the Funds in the first Quartile	47,227	79,581	43,567
% mix of above in total AMC AUMs	63%	81%	40%
Sum of AUMs of the Funds in the second Quartile	-	5,911	48,243
% mix of above in total AMC AUMs	-	6%	44%
Sum of AUMs of the Funds in the third Quartile	6,950	556	2,241
% mix of above in total AMC AUMs	9%	1%	2%
Sum of AUMs of the Funds in the fourth Quartile	13,485	7,473	6,639
% mix of above in total AMC AUMs	18%	8%	6%

Earning profile witnessed improvement on the back of growth in AUMs and augmented revenue base

- During CY22, the AMC's earning profile witnessed an improvement on the back of increase in core revenue. AUM growth remained a major driver for increase in management fee which reportedly increased by 129% from the preceding period.
- Boost in the Company's earning profile was also supported by increase in sales load and investment income.
- However with the higher overall operating expenses, cost to income ratio has decreased in CY22 albeit the same has rebounded in 9MCY23.
- Consequently, bottom line profitability in CY22 also posted a decline compare to the preceding year. However, the same has improved during 9MCY23.
- The AMC has increased its investment in own managed funds wherein the same stood at Rs. 1.3b as at Sep'23 (Jun'22: Rs. 503m).
- The overall financial risk profile is considered conservative, as the Company's balance sheet remains debt-free.

Financial Snapshot (PkR Mn.)	CY21	CY22	9MCY23
Profit & Loss			
Total Revenue	566	722	686
(Loss) / Profit Before Tax	327	284	426
(Loss) / Profit After Tax	243	193	283
Efficiency (%)	46%	67%	48%
Balance Sheet			
	Dec'21	Dec'22	Sep'23
Fixed Assets	30	186	153
Investment Property	79	83	-
LT Investments	-	0.27	0.27
Investment in associates	918	952	1,256
Short term investments	415	-	-
Total Assets	1,346	1,630	1,958
Lease Liabilities (Inc. Current Portion)	18	131	118
Total Liabilities	177	269	314
Accumulated Profit / (Loss)	219	411	713
Total Equity	1,169	1,360	1,643

Assigned ratings also take note of changes in board and management team

- During the period under review Mr. Salman Ahmad Usmani (Chairman of the Board) has left along with two other board members namely Mr. Syed Muhammad Fraz Zaidi and Mr. Nadir Rahman.
- As a replacement, Mr. Yousaf Hussain joined as Chairman while Mr. Majid Ali as Vice Chairman and Mr. Ehsen Zafar Puri as Director.
- Remaining directors namely Mr. Ali Waqar, Mr. Mian Salman Ali and Ms Samia Zuberi stayed as board members.
- On the management front, Mr Khaldoon left as a CEO, Mr Saad Qureshi left as a Chief Strategy Officer, Mr. Ayub Khuro left as a Chief Investment Officer, Mr Imad Ansari left as a Head of Risk of the AMC, Mr Faisal Ali left as CFO & Company secretary and Mr Burhan Ali left as Head of REIT.
- New management includes, Mr Nadir Rahman as a CEO. Mr Omer Bin Javaid promoted as Deputy CEO (this is a new position in hierarchy). Mr Nafees Imtiaz Malik appointed as COO (previously Mr Nafees was Chief Innovation Officer). Mr. Salman Muslim appointed as CFO. Mr Eunas Viqar appointed as Head of Compliance, Risk Management & Internal Audit. As per the management, CIO has already been hired and will join in due course.

<u>Faysal Money Market Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	6,950	1,254	1,206
Return (%)	10.49	17.04	20.69
Benchmark (%)	9.28	17.01	21.93
Retail Proportion (% of Net assets)	31.1	28.2	26.5
Ranking Against Peers	13/21	21/24	22/24
<u>Faysal Savings Growth Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,384	781	1,716
Return (%)	8.80	15.91	23.41
Benchmark (%)	10.80	18.33	23.21
Retail Proportion (% of Net assets)	38.4	78.4	89.6
Ranking Against Peers	24/31	20/24	16/25
<u>Faysal Financial Sector Opportunity Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	3,613	11,299	11,593
Return (%)	10.92	18.68	21.97
Benchmark (%)	10.80	18.33	23.21
Retail Proportion (% of Net assets)	79.2	49.5	37.7
Ranking Against Peers	3/31	3/24	4/25
<u>Faysal Islamic Savings Growth Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,760	2,666	2,453
Return (%)	8.50	14.32	18.25
Benchmark (%)	3.34	6.06	7.60
Retail Proportion (% of Net assets)	41.2	45.7	24.0
Ranking Against Peers	18/21	21/23	26/27
<u>Faysal Income & Growth Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	4,831	3,850	5,112
Return (%)	10.38	18.95	22.62
Benchmark (%)	11.26	18.63	23.52
Retail Proportion (% of Net assets)	1.6	14.6	28.3
Ranking Against Peers	2/6	3/6	3/6
<u>Faysal Islamic Sovereign Plan-I</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	-	3,215	6,594
Return (%)	-	18.77	23.01
Benchmark (%)	-	6.74	21.81
Retail Proportion (% of Net assets)	-	17.9	58.5

<u>Faysal Asset Allocation Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	159	79	73
Return (%)	-24.59	5.09	6.84
Benchmark (%)	-8.67	2.72	10.66
Retail Proportion (% of Net assets)	54.3	42.5	34.8
Ranking Against Peers	12/12	8/13	12/13
<u>Faysal Stock Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	1,178	190	245
Return (%)	-26.43	-12.73	-10.70
Benchmark (%)	-12.28	-0.21	11.87
Retail Proportion (% of Net assets)	10.6	62.7	90.2
Ranking Against Peers	21/26	23/25	26/26
<u>Faysal Islamic Asset Allocation Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,435.56	1,997	1,751
Return (%)	9.89	15.17	5.10
Benchmark (%)	3.34	6.06	1.96
Retail Proportion (% of Net assets)	2.0	1.0	1.1
Ranking Against Peers	1/12	3/11	4/12
<u>Faysal MTS Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	1,875	1,540	1,722
Return (%)	10.41	18.38	22.42
Benchmark (%)	10.80	18.33	23.21
Retail Proportion (% of Net assets)	54.3	60.4	65.1
Ranking Against Peers	6/31	5/24	5/25
<u>Faysal Sharia Capital Preservation Plan Fund-VII</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,289	350	213
Return (%)	-5.26	10.94	4.14
Benchmark (%)	-1.95	5.81	1.90
Retail Proportion (% of Net assets)	96.8	95.7	92.6
Ranking Against Peers	20/23	13/18	12/24
<u>Faysal Sharia Capital Preservation Plan Fund-VIII</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	3,301	2,061	367
Return (%)	-5.62	12.82	4.65
Benchmark (%)	-2.04	5.36	2.05
Retail Proportion (% of Net assets)	97.4	95.9	99.5

Ranking Against Peers	-	6/18	8/14
<u>Faysal Sharia Capital Preservation Plan Fund-IX</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,917	1,993	1,831
Return (%)	-2.42	9.65	5.45
Benchmark (%)	-1.95	4.71	5.10
Retail Proportion (% of Net assets)	97.9	98.4	98.1
Ranking Against Peers	-	16/18	13/14
<u>Faysal Sharia Capital Preservation Plan Fund-X</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	-	1,077	988
Return (%)	-	7.93	5.84
Benchmark (%)	-	4.50	4.20
Retail Proportion (% of Net assets)	-	99.6	99.5
Ranking Against Peers	-		11/26
<u>Faysal Special Savings Plan - I</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	930	71	37
Return (%)	6.44	17.08	4.43
Benchmark (%)	8.66	18.15	4.43
Retail Proportion (% of Net assets)	97.9	83.7	67.0
Ranking Against Peers	-	5/6	8/9
<u>Faysal Special Income Plan-II</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	-	11	12
Return (%)	-	19.05	5.12
Benchmark (%)	-	17.04	5.81
Retail Proportion (% of Net assets)	-	0	1.6
Ranking Against Peers	-	-	7/9
<u>Faysal Special Income Plan-III</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	-	20	23
Return (%)	-	13.30	4.63
Benchmark (%)	-	14.06	5.81
Retail Proportion (% of Net assets)	-	31.3	36.2
<u>Faysal Islamic Special Income Plan-I</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	105.32	139	146
Return (%)	13.14	22.25	20.54
Benchmark (%)	4.00	6.06	7.60
Retail Proportion (% of Net assets)	0	100	98.7

Ranking Against Peers	-	-	1/27
<u>Faysal Pension Fund (Debt Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	36	41	43
Return (%)	4.82	15.73	19.20
<u>Faysal Pension Fund (Equity Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	32	30	34
Return (%)	-8.14	-2.41	13.01
<u>Faysal Pension Fund (Money Market Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	37	53	54
Return (%)	7.17	15.45	18.23
<u>Faysal Islamic Pension Fund (Debt Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	35	48	47
Return (%)	6.71	15.27	21.28
<u>Faysal Islamic Pension Fund (Equity Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	30	30	33
Return (%)	-3.65	-5.17	12.77
<u>Faysal Islamic Pension Fund (Money Market Sub)</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	38	97	113
Return (%)	6.75	15.91	23.08
<u>Faysal Halal Amdani Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	17,903	40,867	41,379
Return (%)	10.12	17.00	20.38
Benchmark (%)	3.67	6.23	8.35
Retail Proportion (% of Net assets)	63.9	76.2	76.9
Ranking Against Peers	3/15	4/17	11/22
<u>Faysal Financial Value Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,159	2,424	2,554
Return (%)	11.22	17.65	5.82
Benchmark (%)	10.24	17.80	5.67
Retail Proportion (% of Net assets)	100	100	100
Ranking Against Peers	1/12	2/13	1/13
<u>Faysal Government Securities Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	610	127	135

Return (%)	8.55	15.19	20.57
Benchmark (%)	10.67	18.15	23.04
Retail Proportion (% of Net assets)	82.7	0.4	0.1
Ranking Against Peers	26/31	6/9	6/10
<u>Faysal Islamic Dedicated Equity Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	2,686	1,584	808
Return (%)	-21.04	8.72	6.29
Benchmark (%)	-10.25	2.88	9.78
<u>Faysal Islamic Financial Growth Plan-I</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	-	-	416
Return (%)	-	-	19.55
Benchmark (%)	-	-	7.60
Retail Proportion (% of Net assets)	-	-	61.8
<u>Faysal Islamic Stock Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	505	350	478
Return (%)	-23.25	-10.97	6.95
Benchmark (%)	-10.25	2.88	9.78
Retail Proportion (% of Net assets)	14.9	15.3	55.1
Ranking Against Peers	16/19	16/18	20/20
<u>Faysal Islamic Cash Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	14,410	21,454	27,686
Return (%)	10.18	17.43	20.55
Benchmark (%)	3.67	6.23	8.35
Retail Proportion (% of Net assets)	0.9	14.1	11.5
Ranking Against Peers	1/15	1/17	5/22
<u>Faysal Cash Fund</u>	June'22	June'23	Sept'23
Fund Size (in Rs. millions)	1,383	168	104
Return (%)	9.92	16.78	20.47
Benchmark (%)	9.28	17.01	21.93
Retail Proportion (% of Net assets)	7.0	66.9	43.4
Ranking Against Peers	19/21	22/24	21/24

FINANCIAL SUMMARY <i>(amounts in PKR millions)</i>			
<u>BALANCE SHEET</u>	CY2021	CY2022	9MCY23
Paid Up Capital	930	930	930
Total Equity	1,169	1,360	1,663
<u>INCOME STATEMENT</u>			
Total income	566	722	686
Profit Before Tax	327	284	426
Profit After Tax	243	193	283
<u>RATIO ANALYSIS</u>			
Current Ratio (x)	6.98	7.58	6.89
Gearing (x)	0.02	0.10	0.07

REGULATORY DISCLOSURE				Appendix II
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
	29-Dec-23	AM2++	Stable	Reaffirmed
	30-Dec-22	AM2++	Stable	Upgrade
	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 2023 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. Nadir Rahman	CEO	December 07, 2023	
	Mr. Omer Bin Javaid	Deputy CEO		
	Mr. Nafees Imtiaz Malik	Chief Operating Officer		
	Mr. Salman Muslim	CFO & Company Secretary		