

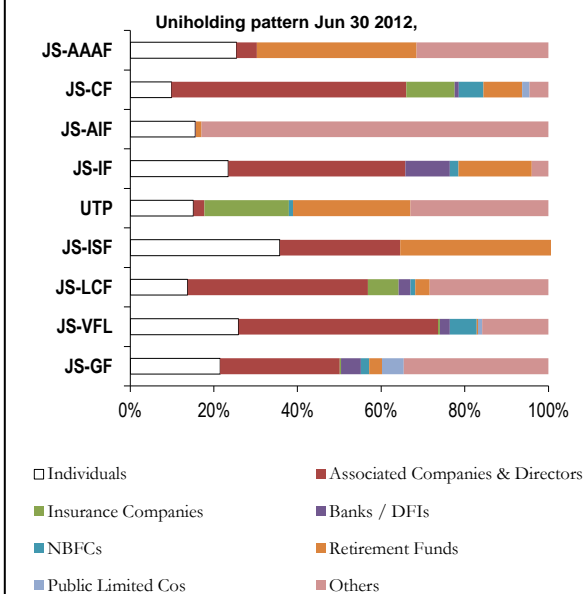
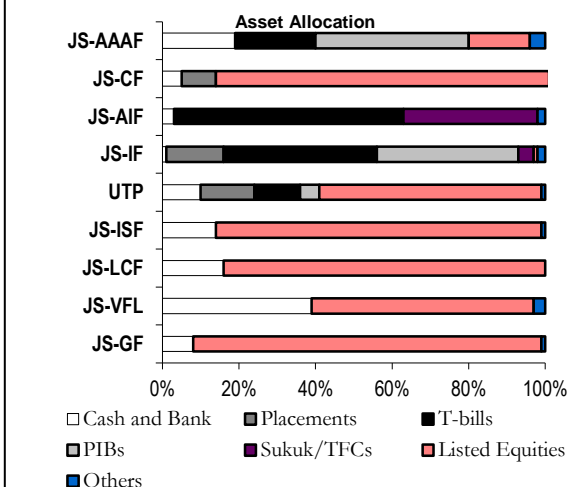
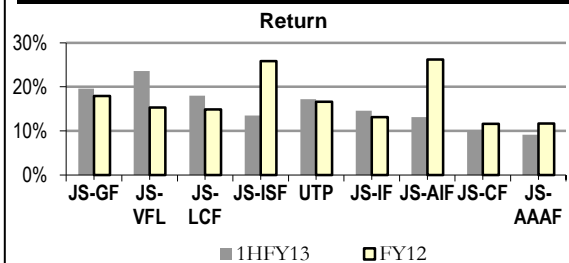
JS INVESTMENTS LIMITED

Date: September 25, 2013

Chairman: Mr. Munawar Alam Siddiqui; Chief Executive: Mr. Rashid Mansur

Analyst: Faryal Ahmad/ M. Raza Lakhani

	Latest	Previous
Rating	AM2- Jun 26, '13	AM2- Nov 1, '12
Outlook	Stable	Stable



Rating Rationale

As a result of restructuring at the group level, shareholding pattern of JS Investments Limited (JSIL) has experienced changes with Jahangir Siddiqui & Company Limited (JSCL) having sold its majority stake in JSIL to its subsidiary, JS Bank Limited (JS Bank). As per management, having a commercial bank as its main sponsor will help the company in enhancing its outreach in the retail market as well as improving client services. Composition of the Board of Directors has experienced one change, with the appointment of a new independent director to fill in a vacancy created recently. Overall Board supervision is considered to be satisfactory with major issues being discussed at the Board level; minutes of the Board meetings have also been recorded in detail. Position of CFO and Head of Risk & Research has witnessed turnover. The company's previous CFO has moved within the group while the Head of Risk & Research has moved to the fund management department; both vacancies have now been filled. Risk and research functions at JSIL have recently been segregated. The risk management function has now been vested with the Head of Compliance.

Performance of investment schemes managed by the AMC was superior in FY12 in relation to the prior year with all funds (without taking into account pension schemes) outperforming their respective benchmarks (FY11: six out of eleven). Returns of seven (out of eleven) investment schemes were higher than the benchmark during the period Jul'12-Dec'12. In relation to peer group, relative ranking of five funds improved in FY12. Improvement has been witnessed in case of Asset Allocation, Balanced and Income Fund categories with all such schemes featuring among the top performing funds in their respective peer groups. In the past, performance of income and balanced funds had suffered due to provisioning against non-performing debt instruments. Performance indicators of balanced and income funds remained strong during the Jul'12-Dec'12 period; though the same in the case of the asset allocation fund weakened. Performance of equity funds has experienced varying trend, attributable to some extent to the independent views taken by the respective fund managers. In 1H13, the relative return ranking of three out of four equity funds managed by the company has experienced weakening while for one fund it has improved.

On account of redemption pressure in open-end schemes coupled with maturity of JS-PSF I, having net assets of Rs. 1.1b, the declining trend in assets under management (AUMs) persisted, which fell to Rs. 10.9b (Jun'11: Rs. 12.8b) by end-Jun'12. AUMs have posted recovery in Jul'12-Dec'12 period, with the same increasing to Rs. 12.3b by the period-end, translating into market share of 3.7%. While the largest increase in net assets has been witnessed in case of the money market fund, recovery in the stock market has also resulted in larger fund sizes of balanced and equity schemes managed by the company. The AMC has recently initiated optimization of its product offering with a view to synergize the company's market outreach efforts. A Shari'ah compliant Sovereign Income Fund has been recently launched to strengthen the Islamic product offering segment. Winding up of one existing fund has been completed. Merger of two funds having low asset base is on the anvil. Two closed-end equity schemes managed by the company are in the process of conversion into open-end schemes; impact of the same on AUMs will be tracked over time.

Unit holding pattern in open-end funds under management currently features concentration. In order to boost sales, the management intends to pursue a focused marketing strategy with business development activities at JSIL having been split between two senior resources. As per the sales team of the company, the industry is presently faced with investor saturation; hence in addition to tapping the traditional customer base, the company would also approach non-traditional potential investors. Other client services are also planned to be introduced; these include auto redemption facility and income draw down options for voluntary pension schemes. JSIL is working in a phase-wise manner towards effective utilization of JS Bank's branch network for distribution of the company's products.

Overview of the Institution

Incorporated in 1995, JSIL is a public listed company with license to undertake Investment Advisory and Asset Management services. The company is also registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005. With a shift in the company's ownership structure, financial year-end of JSIL has been changed from 30th June to 31st December. Hence, annual accounts of the company for the year ending June 30, 2012 have been extended till December 31, 2012 i.e. for a period of 18 months. External auditors of the company for the period are Anjum Asim Shahid Rahman, Chartered Accountants JCR-VIS

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