

## RATING REPORT

### ABL Asset Management Company Limited

**REPORT DATE:**

December 29, 2017

**RATING ANALYST:**

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**RATING DETAILS**

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM2++	AM2+
Rating Outlook	Stable	Stable
Rating Date	27-Dec-17	30-Dec-16

**COMPANY INFORMATION**

Incorporated in October 2007	External auditors: <b>KPMG Taseer Hadi &amp; Co, Chartered Accountants</b>
Unlisted Public Limited Company	Chairman of the Board: <b>Mr. Sheikh Mukhtar Ahmed</b>
Key Shareholders (with stake 5% or more): Allied Bank Limited	Chief Executive Officer: <b>Mr. Alee Khalid Ghaznavi</b>

**APPLICABLE METHODOLOGY(IES)**

JCR-VIS Management Quality Rating Criteria

Asset Management Companies (March 2016): <http://jcrvis.com.pk/docs/AMC-Methodology-201603.pdf>

## ABL Asset Management Company Limited

### OVERVIEW OF THE INSTITUTION

ABL Asset Management Company Limited (ABL AMC) is a public unlisted company incorporated in Pakistan in October 2007. It is a wholly owned subsidiary of Allied Bank Limited (ABL). ABL AMC has obtained licenses to undertake Investment Advisory Services and Asset Management Services under the NBFC Rules and Regulations. The company has also obtained license to carryout business as pension fund manager under the Voluntary Pension System Rules.

#### Profile of Chairman

Mr. Sheikh Mukhtar Ahmed has over 55 years of experience in establishing and successfully managing various industrial and financial companies. Mr. Mukhtar joined the Board of ABL in 2004 and the ABL AMC Board in 2008.

#### Profile of CEO

Mr. Alee Khalid Ghaznavi has sixteen years' of working experience with leading financial institutions including ABL, Habib Bank AG Zurich and National of Bank of Pakistan Limited in the field of corporate and investment banking.

#### Financial Snapshot

Net Equity: Dec'16: Rs. 1.6b; Dec'15: Rs. 1.4b

Net Profit: Jun'17: Rs. 193.7m; Dec'16: Rs. 273.1m

### RATING RATIONALE

**Market Share and Investor Base:** Market share of ABL Asset Management Company Limited (ABL AMC) in total industry Assets under Management (AUMs) (ex-associate investment) increased to 5.7% (Jun'16: 5.5%). AUMs (adjusted for fund of funds (FoF)) increased to Rs. 42.3b (Jun'17: Rs. 35.2b; Jun'16: Rs. 25.5b) by end-Nov'17. Although quantum of retail AUMs increased on a timeline basis, however proportion of retail AUMs has remained largely stagnant. Going forward, increasing proportion and granularity of retail exposures will remain the management's key focus. To improve AUM profile, the management has taken various initiatives. The management intends more effective engagement with the parent bank for the sale of mutual funds. The company has also focused on expanding sales force while enhancing alternate delivery channels.

**Fund Offerings:** During the period under review, ABL AMC launched an additional fund namely Islamic Dedicated Stock Fund, thereby taking total tally of fund offerings to 11 fund. Apart from aggressive income fund, product suite caters to most investor needs and comprises money market, income, equity, allocation plans and pension fund schemes. Number of financial plans under ABL Islamic Financial Planning Fund has increased to seven with the launch of Strategic Allocation Plan-IV. The company also plans to launch an open-end asset allocation plan for which it has got approval from SECP.

**Management Team:** During the period under review, senior management of the company underwent considerable changes. The vacant position of Chief Investment Officer (CIO) has been filled. The company has filled some other vacancies as well including fund managers. Any changes in strategy will be tracked by JCR-VIS.

**Investment Management:** Following best practices, the head of risk has been inducted as a permanent voting member of the Investment Committee (IC). IC now comprises CEO, CIO, CFO, Head of Research, Head of Risk and Fund Managers. Overall investment process is formalized with separate IC meetings conducted for strategy and monitoring SMA performance. SMA clients have had long-term association with the company.

**Funds' Performance:** During FY17, performance of most funds featured in the first and second quartile. Peer ranking of ABL Cash Fund and ABL Islamic Stock Fund has witnessed noticeable improvement in the ongoing year. As one of the key rating parameters, JCR-VIS will continue to monitor the performance of assets under management across different asset classes over time.

**Control Functions:** Overall scope and functioning of the different control functions is adequate. Observations in the internal audit report, particularly pertaining to fund management were comprehensive and reflect detailed review undertaken by the Internal Audit Department. Moreover, scope of employee trading policy has been extended to cover indirect trading by employees.

**ABL Asset Management Limited**
**Appendix IV**

<b>FINANCIAL SUMMARY</b>			
<b><u>ABL INCOME FUND (ABL IF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	3,875	3,734	1,953
Return (%)	5.90%	7.20%	14.20%
Benchmark (%)	6.10%	6.54%	9.01%
Retail Proportion (% of Net assets)	17%	40%	40%
Ranking Against Peers	13/20	8/18	2/19
<b><u>ABL CASH FUND (ABL CF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	7,577	2,603	6,352
Return (%)	5.70%	5.80%	9.37%
Benchmark (%)	3.10%	3.81%	6.06%
Retail Proportion (% of Net assets)	8%	45%	17%
Ranking Against Peers	2/22	7/21	3/21
<b><u>ABL ISLAMIC INCOME FUND (ABL IIF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	3,968	3,277	1,832
Return (%)	5.70%	5.80%	8.69%
Benchmark (%)	3.10%	5.10%	6.61%
Retail Proportion (% of Net assets)	28%	38%	69%
Ranking Against Peers	7/16	2/13	2/11
<b><u>ABL GOVERNMENT SECURITIES FUND (ABL GSF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	3,794	9,496	9,185
Return (%)	6.60%	8.00%	15.14%
Benchmark (%)	5.90%	5.67%	8.00%
Retail Proportion (% of Net assets)	23%	23%	33%
Ranking Against Peers	1/9	3/9	4/8
<b><u>ABL STOCK FUND (ASF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	8,894	3,194	2,256
Return (%)	33.2%	9.90%	27.11%
Benchmark (%)	22.4%	0.37%	5.67%
Retail Proportion (% of Net assets)	30%	19%	29%
Ranking Against Peers	6/20	7/20	7/20
<b><u>ABL ISLAMIC STOCK FUND (AISF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
Fund Size (in Rs. millions)	3,544	2,525	2,646
Return (%)	31.2%	5.60%	29.03%
Benchmark (%)	18.8%	15.53%	20.10%
Retail Proportion (% of Net assets)	17%	8%	6%
Ranking Against Peers	4/17	9/13	2/11

## JCR-VIS Credit Rating Company Limited

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

<b><u>ABL FINANCIAL PLANNING FUND (ABL FPF)</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
<b>Fund Size (in Rs. millions)</b>	2,137	919	N/a
<b>Retail Proportion (% of Net assets)</b>	43%	7%	N/a
<b>Associate Proportion (% of Net assets)</b>	11%	54%	N/a
<b>Number of Investors</b>	503	69	N/a
<b><u>ABL ISLAMIC FINANCIAL PLANNING FUND</u></b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>
<b>Fund Size (in Rs. millions)</b>	5,887	2,430	N/a
<b>Retail Proportion (% of Net assets)</b>	46%	22%	N/a
<b>Associate Proportion (% of Net assets)</b>	6%	22%	N/a
<b>Number of Investors</b>	1,572	459	N/a
<b><u>ABL ISLAMIC DEDICATED STOCK FUND</u></b>			
<b>Fund Size (in Rs. millions)</b>	2,737	N/a	N/a
<b>Retail Proportion (% of Net assets)</b>	0%	N/a	N/a
<b>Associate Proportion (% of Net assets)</b>	100%	N/a	N/a
<b>Number of Investors</b>	6	N/a	N/a

**ISSUE/ISSUER RATING SCALE & DEFINITIONS**

**Appendix V**

**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 JCR-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 JCR-VIS.*

**Rating Watch:** JCR-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.jcrvis.com.pk/images/criteria\\_watch.pdf](http://www.jcrvis.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.jcrvis.com.pk/images/criteria\\_outlook.pdf](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

## JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURE		Appendix VI		
Name of Rated Entity	<b>ABL Asset Management Company Limited</b>			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	<b>29-Dec-17</b>	<b>AM2++</b>	<b>Stable</b>	<b>Upgrade</b>
	30-Dec-16	AM2+	Stable	Reaffirmed
	4-May-16	AM2+	Stable	Harmonized
	31-Dec-15	AM2	Stable	Reaffirmed
	31-Dec-14	AM2	Stable	Reaffirmed
	21-Jun-13	AM2	Stable	Upgrade
	10-Jan-13	AM2-	Positive	Maintained
	16-Sep-11	AM2-	Stable	Upgrade
	31-Dec-10	AM3+	Positive	Upgrade
Instrument Structure	N/A			
Statement by the Rating Team	JCR-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	Not Applicable			
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