

# JCR-VIS Credit Rating Company Limited

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

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## Investment Objective

To provide competitive returns to investors through active investments in a mix of short, medium and long term debt instruments to preserve capital while maximizing returns.

PICIC Income Fund		
Rating Category	Latest	Previous
	<b>A(f)</b>	<b>A+(f)</b>
Fund Stability Rating	Jan 04, '16	Feb 25, '15
Management Company	PICIC Asset Management Company Limited (PICIC AMC)	
Chief Executive	Suleman Chhagla	
Fund Manager	Mr. Tauqir Shamshad	
Trustee	Central Depository Company of Pakistan Limited	
Front-end Load	Class D: 1.25% of NAV	
Back-end Load	Nil	
Management Fee	1.25% per annum of NAV	
Benchmark	Average of 6M Kibor	

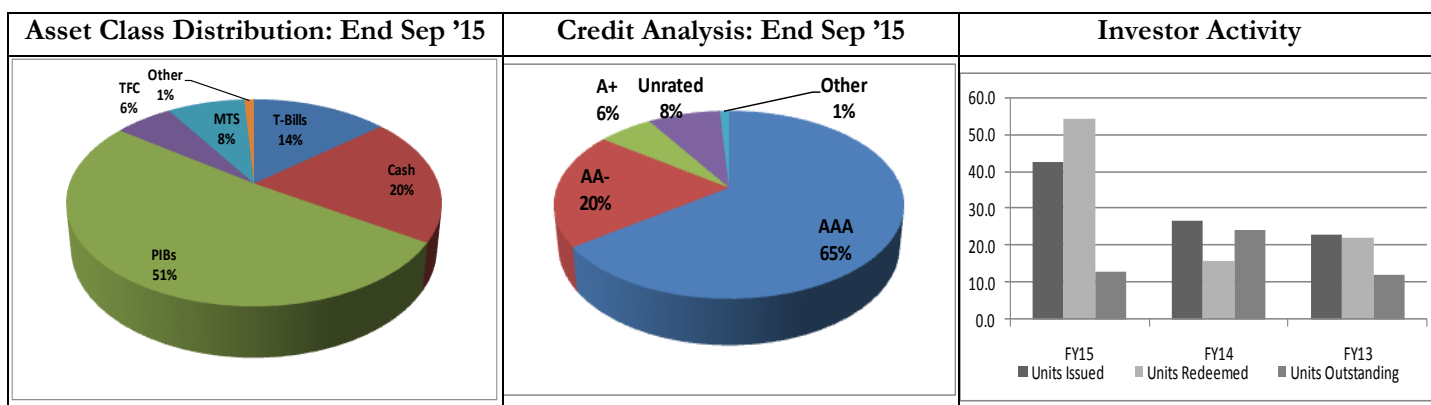


Table 1: PICIC Income Fund Operational Limits

The investment committee (IC) comprises three members including the CEO, Head of Fixed Income and Manager Risk.

Sizeable redemptions were witnessed in the fund during FY15 with net assets declining to Rs. 1.3b at end-FY15 (FY14: Rs. 2.4b). During 1QFY16, net assets increased to Rs. 1.9b on account of fresh investment. Following table presents the pre-defined limits of the fund in different asset classes.

Investments	Minimum Entity/Instrument Rating	Maximum Exposure as % of net assets
T-Bills, PIBs & Govt. Securities	N/A	85%
Cash at bank (excluding TDRs) and short maturity of T-bills not exceeding 90 days maturity (subject to minimum limits of 25% of net assets)	A+ / N/A	75%
COD, COI, COM, and Money Market instruments exceeding six months	A+	15%
Term Finance certificates- Listed and/or Government Guaranteed	A/A+	25%
Sukuk- Government Guaranteed	A/A+	25%
MTS Transactions	N/A	20%
Reverse Repo transactions against Government Securities and debt securities	A/A+	40%

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not exceeding 6 months		
Deposits with banks or Financial institutions	A+ / N/A	75%
Sukuk and other asset backed or mortgage backed securities *	A+	30%
Commercial Paper**	AA-	30%

\*maximum maturity of corporate sukuk should not exceed 1 year

\*\*the maximum limit for investment in commercial paper is 5% of issue size or net assets, whichever is lower.

On average, the fund maintained higher exposure in long term government bonds while reducing exposure in short term T-bills. At end-FY15, investment in PIBs accounted for around two third of total assets. As per IPS, investment in government securities is capped at 85% of total assets. The fund has also built a portfolio in TFCs/corporate sukuk representing 6% of total assets at end-1QFY16; credit quality of the issue is considered sound reflected by its high credit rating. As per IPS, the fund may invest a maximum of upto 25% in TFCs with a minimum instrument rating of “A+”.

Table 2: Average Asset Allocation

	End-IQ16 (%)	Avg- FY15 (%)	Avg – FY14 (%)
PIBs	51%	53.6%	22.3%
T-Bills	14%	27.5%	40.9%
Cash	20%	9.4%	22.8%
MTS	8%	5.3%	11.7%
TFC/Sukuk	6%	2.6%	-
Others assets	1%	1.6%	2.2%

As per IPS, the weighted average duration of the portfolio should be maintained at less than 2 years. Duration of the fund was reported at 1.6 years at end-FY15. Moreover, Weighted Average Maturity (WAM) of the net assets shall not exceed 4 years and this condition shall not apply to securities issued by the Federal Government. Given that the weighted average maturity and duration has surpassed JCR-VIS’s internal criteria, the risk profile of the fund no longer commensurate with the previous outstanding rating.

Table 3: Market risk summary FY15

	Average	Maximum	Minimum
WAM	556	1,023	366

The allocation of credit quality is inline with the operational IPS with majority allocation in “AAA”.

Table 4: Credit quality summary FY15

	Average	Maximum	Minimum
“AAA”	80%	91%	64%
“AA”	0.67%	4%	0%
“AA-”	10%	24%	1%

Performance of the fund is benchmarked against average 6 months KIBOR. During FY15, PIF posted a return of 11.8% against the benchmark return of 8.7%. On month-on-month basis fund posted a negative return of around 4% during June, 15 as significant redemption was witnessed during the month and mark-to-market losses were recognized in long term PIBs investments. In terms of relative performance, the funds returns were ranked in the fourth quartile.

Table 5: Performance summary

	Sept’15 **	FY15	FY14
Net Assets (Rs. M)	1,879	1,324	2,437
Return	7.8%	11.8%	8.8%
Peer Group Average*	9.1%	13.7%	8.4%
Benchmark	6.7%	8.74%	9.6%
Relative Ranking*	7 of 9	7 of 9	5 of 8

\*Only Govt. Securities income funds included

\*\*Year to date

Total number of investors in the fund increased to 290 by end-FY15 (FY14: 252). Accordingly, share of retail investors increased to 35.9% (FY14: 19.9%). Investor concentration remained high with investment by top 10 investors representing 70.8% (FY14: 66.6%) of AUM at end-FY15.

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability Management Quality</u></b>				
04-Jan-16	A (f)	-	-	Downgrade
25-Feb-15	A+ (f)	-	-	Reaffirmed
23-Dec-13	A+ (f)	-	-	Reaffirmed
17-Aug-12	A+(f)	-	-	Reaffirmed