

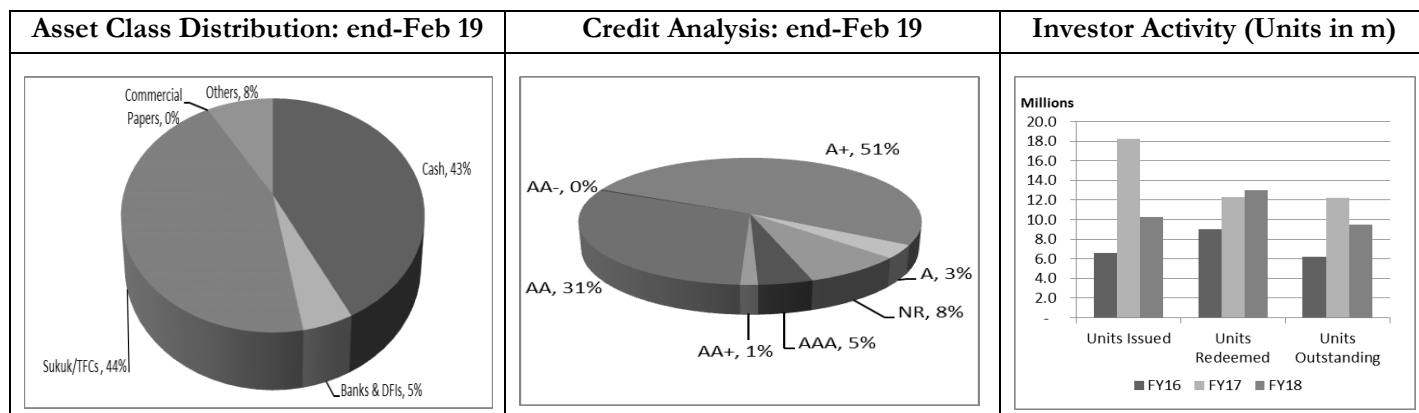
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**Investment Objective**

FISGF seeks to provide maximum possible preservation of capital and a reasonable rate of return by investing in Shari’ah compliant money market and debt securities having good credit quality and liquidity.

Faysal Islamic Savings Growth Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A+(f) May 13, 2019	A+(f) November 21, 2017
Asset Management Company	Faysal Asset Management Limited (FAML)	
External Auditors	Deloitte Yousuf Adil, Chartered Accountants	
Fund Manager	Mr. Syed Shahid Iqbal	
Trustee	Central Depository Company	
Management Fee	10% of gross earnings (min 0.90% p.a., max 1.50% p.a.) of average daily net assets	
Front-end Load	up to 2% of Net Asset Value	
Benchmark	Average 6M deposit rate of 3 A rated scheduled Islamic Banks or Islamic windows of conventional banks	



Faysal Islamic Savings Growth Fund (FISGF) aims to provide a consistent income stream to investors by investing in Shariah compliant instruments. The fund is managed by Faysal Asset Management Limited (FAML), which has a management quality rating of AM3. Investment Committee (IC) comprises key personnel from management including Chief Executive Officer, Chief Investment Officer, related fund manager and manager risk and Head of Compliance & Internal Audit (non-voting member).

Net assets of the fund amounted to Rs. 1,073.8m (FY18: Rs. 1,013.27m, FY17: Rs. 1,253.8m) at end-February 2019. Slight variation in AUMs, during the period under review, is largely a function of investment in parent company’s provident fund along with routine redemptions.

Based on the applicable Investment Policy Statement (IPS), the fund must maintain a minimum balance of 25%

of net assets in cash and cash equivalents on month end average basis for ensuring adequate liquidity, in case of redemptions. Other permissible asset classes of the fund include government paper and other debt instruments. The fund may invest solely in government paper or in the form of deposits in financial institutions with a minimum rating of ‘A+’. The following table illustrates the specific limits for different asset classes:

**Table 1: Operational Investment Policy**

Description	Minimum Rating	Min-Max Exposure
Shariah Compliant Government Securities/ Shariah Compliant Government backed Securities	AAA	0%-100%
Shariah Compliant Term Finance Certificate, PPTFCs, Sukuks, Shariah Compliant Participation Term Certificates; Certificates of Investment	A+	0%-75%
	A	0%-10%
Bank Deposits, TDRs of various tenors in licensed; Islamic Banks/Development financial institution and licensed Islamic Banking windows of conventional Banks*	A+	0%-100%

\* Minimum 25% investment will be maintained in cash and cash equivalents on average monthly basis.

Assets of the fund are largely parked in Sukuks and Term Finance Certificates (TFCs). Moreover, sizeable exposure has also been built in cash equivalents to maintain adequate liquidity. On a month end average basis, the fund has maintained a significant proportion of its assets in fixed income instruments especially high rated Sukuks and TFCs.

**Table 3: Actual Asset Allocation**

	Feb-19	FY18	FY17	FY16
Cash	42.70%	48.79%	46.29%	38.30%
Banks & DFIs	4.60%	0.00%	8.43%	0.00%
Sukuk/TFCs/ Commercial Paper/COI	44.31%	49.62%	44.23%	49.40%
Others	8.39%	1.58%	1.05%	12.30%

**Table 4: Average Asset allocation**

	Avg. 8M19	Avg. FY18	Avg. FY17	Avg. FY16
Cash	43.74%	46.88%	58.30%	53.30%
Banks & DFIs	1.21%	2.93%	3.00%	2.70%
Sukuk/TFCs/ Commercial Paper/COI	52.49%	49.72%	37.20%	41.80%
Others	2.56%	2.71%	1.60%	2.20%

According to the IPS, the fund is permitted to park up to 75% of its assets in Sukuks and TFCs securities; this limit was internally revised upwards from 50% during 2019. During the period under review, exposure in the same has been reported higher than the allowable limit. Nevertheless, towards the end of FY18, the funds were aligned respectively in line with the IPS. A similar trend was observed during the ongoing year. Exposure in

Sukuks and TFCs are largely rated in the AA band, depicting sound credit quality, against a minimum acceptable rating of A.

**Table 5(a): Credit quality summary for 8MFY19**

Credit Quality	Average	Maximum	Minimum
AAA	4.79%	5.17%	4.56%
AA+	2.10%	6.77%	1.26%
AA	58.34%	84.87%	30.54%
AA-	0.16%	0.29%	0.05%
A+	30.14%	52.53%	7.16%
A	2.16%	4.12%	0.00%
A-	0.00%	0.00%	0.00%
BBB+	0.00%	0.00%	0.00%
NR	2.32%	8.39%	0.00%

**Table 5(b): Credit quality summary for FY18**

Credit Quality	Average	Maximum	Minimum
AAA	12%	34%	4%
AA+	2%	10%	1%
AA	29%	41%	7%
AA-	7%	8%	3%
A+	50%	62%	23%
A	0%	1%	0%
A-	0%	0%	0%
BBB+	0%	0%	0%
NR	1%	2%	1%

**Table 5(c): Credit quality summary for FY17**

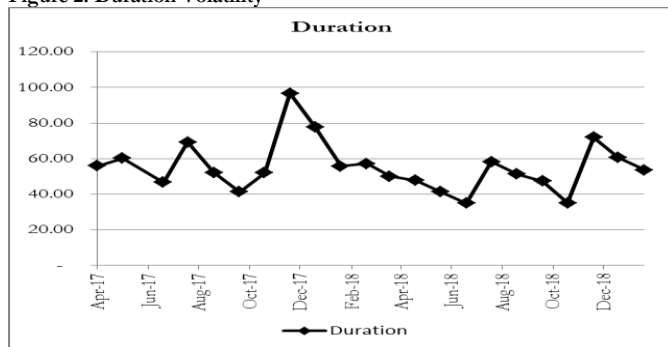
Credit Quality	Average	Maximum	Minimum
AAA	16%	17%	13%
AA+	7%	9%	7%
AA	5%	26%	0%
AA-	8%	23%	0%
A+	74%	91%	64%
A	0%	0%	0%
A-	0%	0%	0%
BBB+	0%	0%	0%
NR	2%	9%	1%

In accordance with the IPS, Weighted Average Maturity (WAM) of net assets is capped at 4 years, excluding government securities. Actual WAM of net assets remained below 2 years throughout the period ending January 2019. Duration of the fund also remained as low as 35.03 days (FY18: 34.97 days; FY17: 14.20 days; FY16: 16.32 days) at end-February 2019; duration has depicted volatility given changes in exposures against various debt instruments. Since the benchmark rate consists of 6 months deposit rates, actual duration is expected to continue to remain within the defined limit of 180 days.

**Table 6: Risk Summary**

	Average	Maximum	Minimum
<b>8MFY19</b>			
WAM	1.41	1.72	1.14
Duration	53.29	72.0	35.03
<b>FY18</b>			
WAM	1.63	1.93	1.25
Duration	56.39	96.76	34.97
<b>FY17</b>			
WAM	1.21	1.65	0.37
Duration	33.94	60.26	14.20
<b>FY16</b>			
WAM	1.28	1.70	1.01
Duration	30.40	45.36	16.32

**Figure 2: Duration Volatility**

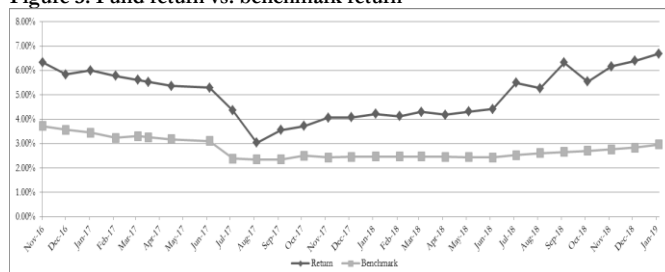


In line with upward movement in discount rates, return generated by the fund trended upwards during the period. The fund outperformed the benchmark by posting a return of 6.91% (FY18: 4.42%) vis-à-vis benchmark return of 3.11% (FY18: 2.44%) in 8MFY19. Despite improvement in absolute return, relative ranking of the fund weakened in comparison to the peers as the fund ranked 12 out of total 21 income funds.

**Table 7: Fund Performance**

	8MFY19	FY18	FY17	FY16	FY15
<b>Return (%)</b>	6.91	4.42	5.30	5.50	8.22
<b>Benchmark (%)</b>	3.11	2.44	3.11	4.68	6.61
<b>Relative Ranking</b>	12/21	7/18	10/16	4/15	3/14

**Figure 3: Fund return vs. benchmark return**



With redemptions from Al-Baraka Bank Ltd, top-10 investor concentration in the fund has decreased to 63% (FY18: 66%, FY17: 31.7%, FY16: 47.2%) at end Jan-19; increase in top 10 investor concentration is largely attributable to investment from the parent company’s provident fund. Nonetheless, contribution from retail clients has also increased to 34.78% (FY17: 34.15%) of AUMs while related party contribution decreased to 19.24% (FY17: 36.57%; FY16: 5.47%) in FY18 [JCR-VIS]

**Rating History**

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<b><u>RATING TYPE: Fund Stability Management Quality</u></b>				
13-May-19	A+(f)			Reaffirmed
21-Nov-17	A+(f)			Upgrade
28-Apr-16	A(f)			Reaffirmed
29-Jun-15	A(f)			Downgrade
2-Aug-13	AA-(f)			Reaffirmed
20-Nov-12	AA-(f)			Upgrade
20-May-12	A+(f)			Initial