

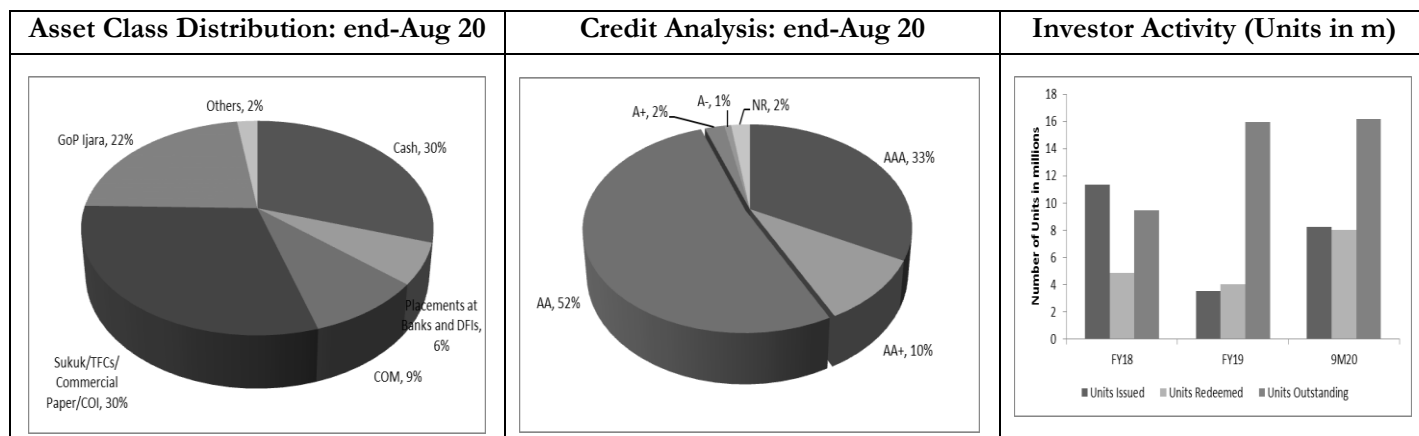
October 5, 2020

Analysts: Muniba Abdullah, CFA

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) <i>October 5, 2020</i>	A+(f) <i>May 13, 2019</i>
Asset Management Company	Faysal Asset Management Limited (FAML)	
External Auditors	A.F. Ferguson & Co. Chartered Accountants	
Fund Manager	Mr. Mustajab Alam	
Trustee	Central Depository Company	
Management Fee	Upto 1.5% of Average Annual N.A. (Actual Rate of Management Fee Charged is 0.57%)	
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 AM2. Composition of the Investment Committee (IC) was revised with representation from Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, related fund managers, Head of Research, Head of Compliance & Audit and Head of Risk. Barring, Head of Compliance & Audit, all members are voting in nature.

With the aggressive stance of the asset management company, net assets of the fund grew significantly from Rs. 970.1m at end- July 2018 to Rs. 3.1b at end-August 2020. 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-’. During the outgoing year, the investment policy was revised by adding a new category of short term commercial paper. 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%-15%
Short term CP Sukuk/Islamic CP	A1/A	0%-30%
	A2/-	0%-15%
Bank Deposits, TDRs of various tenors in licensed; Islamic Banks/Development financial institution and licensed Islamic Banking windows of conventional Banks*	A	0%-100%
	A-	0%-15%

* Minimum 25% investment will be maintained in cash and cash equivalents on average monthly basis. At any time, investment with a A+ credit rating and below will be capped at 15% of Net Assets.

Assets of the fund were largely parked in Sukuks along with short term Sukuk/Islamic commercial paper. The fund continues to maintain a sizeable exposure in cash equivalents to maintain adequate liquidity. On a month end average basis, the fund has maintained a significant proportion of its assets in liquid asset classes specifically cash equivalents.

Table 2: Actual Asset Allocation

	FY19	FY20	2M21
Cash	46%	44%	30%
Placements at Banks and DFIs/NBFCs	12%		6%
COM	6%	8%	9%
Sukuk/TFCs/ Commercial Paper/COI	29%	39%	30%
GoP Ijara		2%	22%
Others	7%	1%	2%

Table 3: Average Asset allocation

	Avg. FY19	Avg. FY20	Avg. 2M21
Cash	44%	54%	50%
Placement with Banks & DFI/TDRs/NBFCs	12%	11%	5%
TFCs/Sukuk	42%	29%	22%
GoP Ijara Sukuk	0%	4%	17%
ICP	0%	0%	9%
Others including Receivables	4%	5%	1%

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

Table 4(a): Credit quality summary for FY19

Credit Quality	Average	Maximum	Minimum
AAA	4%	5%	3%
AA+	3%	7%	1%
AA	49%	85%	25%
AA-	2%	22%	0%
A+	33%	53%	7%
A	4%	22%	3%
A-	0%	0%	0%
NR	4%	9%	1%

Table 4(b): Credit quality summary for FY20

Credit Quality	Average	Maximum	Minimum
AAA	6%	23%	2%
AA+	8%	14%	3%
AA	59%	85%	33%
AA-	0%	0%	0%
A+	15%	50%	2%
A	5%	17%	2%
A-	2%	4%	1%
NR	5%	16%	1%

Table 4(c): Credit quality summary for 2M21

Credit Quality	Average	Maximum	Minimum
AAA	25%	33%	16%
AA+	7%	10%	4%
AA	61%	71%	52%
AA-	0%	0%	0%
A+	5%	8%	2%
A	0%	0%	0%
A-	1%	1%	0%
NR	1%	2%	1%

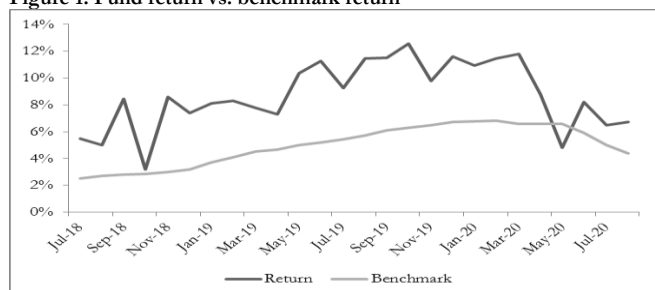
In accordance with the IPS, Weighted Average Maturity (WAM) of net assets is capped at 4 years, excluding government securities. Actual WAM of net assets remained below 2 years throughout the period ending August 2020. Duration of the fund also remained within the stipulated limit. Since the benchmark rate consists of 6 months deposit rates, actual duration is expected to continue to remain within the defined limit of 180 days.

In line with upward movement in discount rates, return generated by the fund trended upwards during the period. On a timeline basis, the fund outperformed the benchmark during the period ending August 2020. Despite improvement in absolute return, relative ranking of the fund weakened in comparison to the peers as the fund ranked 12 out of total 22 income funds, at end-August 2020.

Table 5: Fund Performance

	FY19	FY20	2M21
Return (%)	7.85	10.67	6.62
Benchmark (%)	3.69	6.33	4.70
Relative Ranking	12/21	14/21	12/22

Figure 1: Fund return vs. benchmark return



Total number of investors in the fund were reported at 583 (FY19: 446) at end-FY20. Proportion of units held by retail investors was 30%. While unit-holder profile features significant concentration, with top 10 investors holding 45% of outstanding units, the fund is expected to meet redemptions in a timely manner given the liquidity profile of its asset mix.

FINANCIAL SUMMARY			
<i>(amounts in PKR millions)</i>			
<u>BALANCE SHEET</u>	FY18	FY19	FY20
Paid Up Capital	NA	NA	NA
Total Equity	1,013.3	1,643.4	2,241.2
<u>INCOME STATEMENT</u>			
Total income	72.6	105.8	209.7
Profit Before Tax	50.6	86.7	177.7
Profit After Tax	50.6	86.7	177.7
<u>RATIO ANALYSIS</u>			
Debt Leverage	NA	NA	NA
Gearing	NA	NA	NA

Rating History

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability Management Quality</u>				
5-Oct-20	A+(f)			Reaffirmed
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