

RATING REPORT

UBL Fund Managers Limited

REPORT DATE:

January 06, 2017

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Latest Rating	Previous Rating
	MQR	MQR
MQ Rating	AM2++ <i>(Reaffirmed)</i>	AM2++ <i>(Harmonised)</i>
Rating Date	Dec '30, '16	May'04, '16

COMPANY INFORMATION

Incorporated in April 2001	External auditors: A.F. Ferguson & Co.
	Chairman of the Board: Mr. Tariq Kirmani
Key Shareholder:	Chief Executive Officer: Mr. Yasir Qadri
United Bank Limited – 100%	

APPLICABLE METHODOLOGY(IES)

Mutual Funds Rating (March 2016): <http://www.jcrvis.com.pk/kc-meth.aspx>

UBL Fund Managers Limited

OVERVIEW OF THE INSTITUTION

UBL Fund Manager Limited was established as a Public Limited Company in 2001. It is wholly owned subsidiary of UBL Bank and holds Investment Banking and Advisory services license.

Profile of Chairman

Mr. Tariq Kirmani has over 40 years of experience and has served a number of organizations with the likes of Caltex, PSO and PIA. Presently, he is also serving as director and chairman on the board of a number of other organizations

Profile of CEO

Mr. Yasir Qadri has been associated with the asset management industry for the past 16 years, last serving as CEO of MCB-Arif Habib Savings & investments. He also serves as Senior Vice Chairman of the Mutual Funds Association of Pakistan (MUFAP) and continues to chair their Technical Committee. He has earned an M.B.A. and a B.B.A. degree from the University of Central Oklahoma, USA.

Financial Snapshot

Sep'16: Net equity Rs. 1.19b
9M16: PAT: Rs. Rs. 181.6m

RATING RATIONALE

Market Share and Investor Base: Market share of UBL Fund Managers Limited (UBL AMC) in total industry Assets under Management (AUMs) increased to 10.8% (FY15: 9.6%) as at end-FY16. AUMs (adjusted for fund of funds (FoF)) stood at Rs. 56.8b at end-October 2016 (FY16: Rs. 49.5b; FY15: Rs. 40.4b) with conventional funds generating almost 57% of the same. Growth in AUMs has lagged behind projected target. Sizeable increase in number of new investors has resulted in improved diversification in investor base with proportion of retail AUMs representing around half of total AUMs; however concentration in retail AUMs is sizeable (top 1000 retail investors represent over three-fourth of retail AUMs) and needs to be reduced, going forward. Besides addition of new clients, focus in the on-going year has been on reducing account closures.

Fund Offering & Product Development As at end-October 2016, UBL AMC had 9 conventional and 14 Islamic Funds under management. Product suite of the company caters to most investor needs with UBL FM being a leader in new product development. During FY16, the company launched one Islamic equity fund (to cater to FoF investments) and 4 FoF schemes. Going forward, active allocation plans and capital protected funds are projected to be the growth drivers in terms of AUMs growth for 2017.

Management Team: Senior management team has witnessed a number of changes in the ongoing year; new inductions include the Chief Executive Officer (CEO), Head of Internal Audit, Chief Risk Officer (CRO) and Chief Financial Officer (CFO). While fresh inductions include qualified professionals with relevant industry experience, stability and cohesion in the senior management team is considered important. Previously, the Chief Operating Officer (COO) and CFO functions were being headed by a single resource which has now been segregated.

Investment Management: Investment Committee (IC) at UBL FMs comprises 5 voting members, including CEO, COO, Chief Investment Officer, Head of Research and Risk Management. Composition and functioning of IC is considered adequate. Investment process is formalized and well-structured with strategic decisions taken at the IC level; consistency in investment decision making across different funds is also emphasized. Changes in the investment management function include segregation of fund management and research department; research department is now an independent function with reporting to the CIO. Moreover, fund management team now has a separate Head of Fixed Income and Head of Equity who report to the CIO.

Fund Performance: The peer ranking of equity funds have improved during FY16 (July'15 to June'16) and performance of retirement fund compare favorably to peers. Returns of largest conventional income fund features in the top quartile during FY15 and FY16. 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; weakness in the same could trigger a rating review.

Control Functions: Overall focus on control environment has been further enhanced through induction of qualified personnel, special audits for areas with room for improvement and enhancing the scope of risk management to include business & financial risk while further strengthening the enterprise risk management framework. Moreover, scope of employee trading policy has been extended with limits introduced for daily trading and aggregate portfolio limit of employees.

Corporate Governance: Overall corporate governance framework is supported by adequate board composition and oversight. Board provides oversight to performance of the company through clearly laid down corporate objectives which are reviewed on a quarterly and annual basis. In order to cope with the challenging operating environment, the company has developed a strategic business plan which aims at increasing core business coupled with diversification initiatives.

ISSUE/ISSUER RATING SCALE & DEFINITIONS

Appendix I

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

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

JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURE		Appendix II		
Name of Rated Entity	UBL Fund Managers Limited			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	12/30/2016	AM2++	Stable	Reaffirmed
	5/4/2016	AM2++	Stable	Harmonised
	12/31/2015	AM2+	Stable	Reaffirmed
	12/31/2014	AM2+	Stable	Upgrade
	4/3/2013	AM2	Stable	Reaffirmed
	5/2/2012	AM2	Stable	Reaffirmed
	4/20/2011	AM2	Stable	Reaffirmed
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 credit quality only and is not a recommendation to buy or sell any securities.			
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