

Date: February 28, 2014

**PICIC ASSET MANAGEMENT COMPANY LIMITED***Chairman: Mr. Asadullah Khawaja; Chief Executive: Mr. Mir Adil Rashid***Rating Rationale**

The rating incorporates PICIC Asset Management Company Limited's (PICIC AMC) structured and consistent investment management practices. Rating also reflects management focus on overall control environment of the institution as evident from improvements on the risk management and compliance front. The company has placed adequate emphasis on documenting policies and procedures for each department. There has been new hiring in the senior management team; fresh inductions include qualified & experienced professionals. Greater stability in top management is considered essential for institutional development and continuity of business strategy.

Total Assets under management (AUM) witnessed growth of 35% and stood higher at Rs. 20.8b (FY12: Rs. 15.4b) at end-FY13; market share stood higher at 5.8% (FY12: 3.8%) at end-FY13. The growth in AUMs was largely driven by higher valuations of stock funds. Moreover, investor penetration in case of open-end funds under management remained limited, with only 312 investors, other than PICIC Energy Fund, which has only recently been converted into an open-end scheme. During 2013, the organizational structure of the sales function has been revamped with the department now having separate resources for corporate, retail and business development. Resultantly, roles and responsibilities are more clearly defined now. Moreover, the branches of NIB Bank Limited are also being used as a channel to generate sales. The sales strategy is geared towards achieving greater retail penetration. Impact of these changes on the investor profile of open-end funds under management will be tracked by JCR-VIS.

Investment style and philosophy has remained transparent and consistent over time while a well structured portfolio monitoring and investment decision making process is in place. There has been an increase in active coverage by the research department and improvement in liaison of research analysts with various departments. Risk profile of both Income and Cash Fund has been maintained in line with constitutive documents while equity funds have primarily been deployed in blue chip companies in line with strategy approved by the Board Investment Committee.

Risk adjusted return of PICIC Stock Fund was lower than peer group average in FY13; improvement has been noted subsequently. Risk adjusted return rankings of both closed end funds under management, PICIC Growth Fund (PGF) and PICIC Investment Fund (PinvF), were 3-Star for one year period ended June 2013. In this period, the overall returns of both these funds benefited from the upward rally in energy stocks, as reflected by the 5-Star Ranking enjoyed by PICIC Energy Fund for FY13. 3-year Ranking of PGF was 2-Star and 3-Star for PinvF.

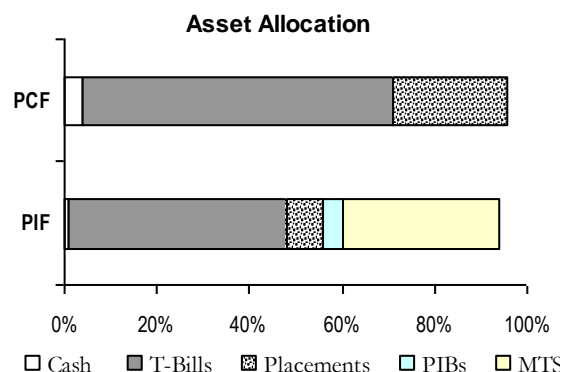
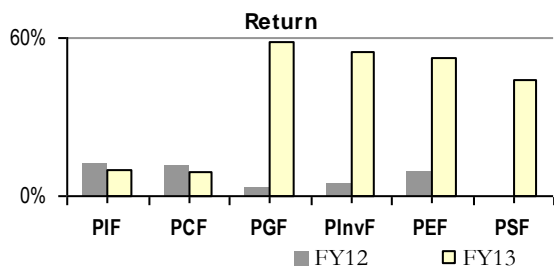
New risk measurement tools have been introduced for effective monitoring of market risk while improvements have been incorporated in the credit risk scoring model. Moreover, focus has been enhanced on increasing employee awareness with regards to policies and regulatory guidelines. Current IT infrastructure caters to the company's needs; the company may consider introducing additional client services.

**Overview of the Institution**

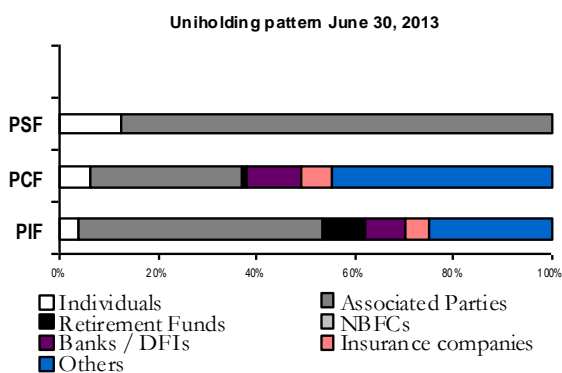
PICIC AMC manages two closed end & four open end funds namely, PICIC Growth Fund, PICIC Investment Fund, PICIC Energy Fund, PICIC Income Fund, PICIC Cash Fund and PICIC Stock Fund. Financial statements of PICIC AMC for FY13 were audited by M/s KPMG Taseer Hadi & Co. Out of the six funds under management; external auditors for four funds were A.F. Ferguson & Co. while the remaining funds were audited by B.D.O Ibrahim and Co. **JCR-VIS**

*Analysts: Sobia Maqbool, CFA / Talha Iqbal*

Rating	Latest AMZ- Dec 23 '13	Previous AMZ- Aug 13, '12
Outlook	Stable	Stable



As at end June 30, 2013



## JCR-VIS Credit Rating Company Limited

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

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Management Quality</u>				
23-Dec-13	AM2-	Stable		Reaffirmed
13-Aug-12	AM2-	Stable		Upgrade
26-Jul-11	AM3+	Stable		Upgrade
31-May-10	AM3	Positive		Maintained