

## RATING REPORT

### PICIC Asset Management Limited

**REPORT DATE:**

December 31, 2015

**RATING ANALYSTS:**

Waqas Munir, FRM

[waqas.munir@jcrvis.com.pk](mailto:waqas.munir@jcrvis.com.pk)

Maham Qasim

[maham.qasim@jcrvis.com.pk](mailto:maham.qasim@jcrvis.com.pk)

#### RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	<b>MQR</b>	<b>MQR</b>
MQ Rating	AM2-	AM2-
Rating Outlook	“Rating Watch Developing”	“Rating Watch Developing”
Rating Date	Dec 28, '15	Feb 13, '15

#### COMPANY INFORMATION

Incorporated in 2004	External auditors: <b>KPMG Taseer Hadi &amp; Co.</b>
Unlisted Public Limited Company	Chairman of the Board: <b>Mr. Atif R. Bokhari</b>
Key Shareholders:	Chief Executive Officer: <b>Mr. Suleman Chhagla</b>
NIB Bank Limited – 100%	

#### APPLICABLE METHODOLOGY(IES)

Mutual Funds Rating (December 2006): <http://www.jcrvis.com.pk/Images/MFund-20061201-2.pdf>

## PICIC Asset Management Limited

OVERVIEW OF THE AMC	RATING RATIONALE
<p>PICIC AMC was incorporated in 2004 as an unlisted public limited company under companies ordinance, 1984. It is licensed to conduct asset management and investment advisory services. The company is a wholly owned subsidiary of NIB Bank Limited. Financial Statements for FY15 was audited by M/sKPMG TaseerHadi&amp;Co. Internal Audit is outsourced to M/s Ernst &amp; Young Ford Rhodes SidatHyder and Co.</p>	<p>The rating reflects PICIC AMC's structured investment process and adequate control environment instituted by the management. In view of the divestment by NIB Bank Limited (NBL) of its equity stake in PICIC AMC, the rating of the AMC continues to be placed under 'Rating Watch Developing' status.</p> <p>PICIC AMC is a mid-sized AMC with a market share of 5.2% at end-FY15 (FY14: Rs. 6.7%). Overall Asset Under Management (AUM) has depicted declining trend during FY15 and 1QFY16 on account of large redemption following the divestment announcement and negative news for the stock market in Federal Budget 2015-16, though some recovery in AUMs was noted incase of open ended funds during the ongoing year. PICIC AMC manages a portfolio of six open-end and two closed-end funds with AUMs under closed-end fund reflecting around two-third of the overall AUM. In addition to funds under management, the AMC is also managing 35 Separately Managed Accounts (SMAs). Among open ended funds, product concentration remains high with two funds reflecting more than 70% of AUMs.</p> <p>PICIC AMC follows a disciplined investment process. Portfolio investments and re-balancing decisions are executed through the Investment Committee (IC) and are supported by research opinions. The portfolio is monitored on an on-going basis with modifications made on the basis of trigger events. For equity funds, investment strategy mainly focuses on medium to long term investment horizon which in turn also reduces price volatility. During the period under review, non compliance to operational investment policies were noted which were timely addressed by the fund managers.</p> <p>The AMC has laid out a clear organization structure. Key investment professional are experienced in the relevant asset class and has demonstrated a satisfactory track record. In the recent years, turnover has been noted among the senior staff in investment, risk and research functions. Inview of the proposed merger, hiring at the senior management level was restricted. Vacancies in the investment management and support functions may need to be timely filled in to uphold high management quality standards.</p> <p>Sales from the branches of NBL remained limited with sales mainly generated under the direct sales channel. Inview of the transaction at the parent bank, business and product development initiatives were put on hold and as such no sales targets were assigned to the sales team. On a timeline basis, retail penetration has experienced some improvement across funds; share of investment by retail investors in all open-end investment schemes increased to 25.7% at end-FY15 (FY14: 15.8%). There is nevertheless significant room for penetration in the retail market. For all open ended funds, top ten investors held more than 60% of AUMs.</p> <p>Performance of the stock funds have depicted improved relative performance during the ongoing year with returns ranked in the top quartile. During this period returns of equity funds benefited from the upward rally in a single stock pertaining to software and computer services segment. The said investment is single largest holding in both equity funds. Performance of the closed-end funds under management remained weak on account of subdued performance by oil and gas sector driven by a downward trend in the oil prices. In relation to peers, the performance of PICIC Cash Fund and PICIC Islamic Income Fund was in the top quartile during FY15 while performance of PICIC Income Fund was in the fourth quartile.</p>

## PICIC Asset Management Limited

FINANCIAL SUMMARY			Appendix I
<b>PICIC CASH FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	3,263	3,249	4,288
Return (%)	6.36	10.51	6.83
Benchmark (%)	4.88	8.37	7.16
Retail Proportion (% of Net assets)	-	17.7	3.8
Ranking Against Peers	5 of 22	1 of 22	2 of 21
<b>PICIC INCOME FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	1,879	1,324	2,437
Return (%)	7.83	11.75	8.78
Benchmark (%)	6.72	8.74	9.57
Retail Proportion (% of Net assets)	-	35.9	19.9
Ranking Against Peers	7 of 9	7 of 9	4 of 8
<b>PICIC ISLAMIC INCOME FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	320	359	770
Return (%)	5.13	9.07	8.95
Benchmark (%)	4.77	6.58	6.49
Retail Proportion (% of Net assets)	8 of 13	2 of 13	-
Ranking Against Peers	-	10.7	23.8
<b>PICIC STOCK FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	126	270	381
Return (%)	0.64	11.15	41.93
Benchmark (%)	-6.14	16.01	41.16
Retail Proportion (% of Net assets)	-	45.8	12.8
Ranking Against Peers	2 of 21	17 of 21	5 of 22
<b>PICIC ISLAMIC STOCK FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	423	229	131
Return (%)	3.96	24.49	0.84
Benchmark (%)	-5.56	20.10	2.06
Retail Proportion (% of Net assets)	-	17.9	6.8
Ranking Against Peers	1 of 13	5 of 13	-
<b>PICIC ENERGY FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	952	1060	1,499
Return (%)	-8.19	8.18	23.92
Benchmark (%)	-6.14	16.01	41.16
Retail Proportion (% of Net assets)	-	38.9	41.1
<b>PICIC GROWTH FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	9,939	11,443	12,866
Return (%)	-13.1	-0.7	35.4
Benchmark (%)	-6.1	16.0	41.2
Ranking Against Peers	3 of 3	2 of 3	3 of 3
<b>PICIC INVESTMENT FUND</b>	<b>1QFY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	4,484	5,043	5,757
Return (%)	-11.1	-1.1	35.4
Benchmark (%)	-7.0	16.0	39.0
Ranking Against Peers	2 of 3	3 of 3	2 of 3

## ISSUE/ISSUER RATING SCALE &amp; DEFINITIONS

## Appendix II

**MANAGEMENT QUALITY RATINGS**

**AM1:** Highest Management Quality

**AM2+, AM2, AM2-:** High Management Quality

**AM3+, AM3, AM3-:** Good Management Quality

**AM4+, AM4, AM4-:** Adequate Management Quality

**AM5+, AM5, AM5-:** Weak Management Quality

*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](http://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](http://www.jcrvis.com.pk/images/criteria_outlook.pdf)

REGULATORY DISCLOSURE				Appendix III
Name of Rated Entity	PICIC Asset Management 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
	12/28/2015	AM2-	-	Rating Watch - Developing
	2/13/2015	AM2-	-	Rating Watch - Developing
	12/23/2013	AM2-	Stable	Reaffirmed
	8/13/2012	AM2-	Stable	Upgrade
	07/26/2011	AM3+	Stable	Upgrade
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.			
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2015 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.			

