

RATING REPORT

National Asset Management Company Limited

REPORT DATE:

January 29, 2016

RATING ANALYSTS:

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RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	MQR	MQR
MQ Rating	AM4-	AM4+
Rating Outlook	Stable	Stable
Rating Date	Jan 28, 15	Jan 28, '15

COMPANY INFORMATION

Incorporated in 2005	External auditors: Mudassar Ehtisham & Co.
Unlisted Public Limited Company	Chairman of the Board: Mr. AVM (Retd.) Farooq Umar
Key Shareholders:	Chief Executive Officer: Mr. Ali Raza Jaffery
Mr. Ali Aslam Malik – 29.58%	
First National Equities Ltd – 28.17%	
Mr. Azneem Bilwani – 21.13%	
Mrs. Romana Nasir – 5.63%	
Mr. & Mrs. Basheer Ahmad – 5.28%	

APPLICABLE METHODOLOGY(IES)

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

NAMCO Asset Management Company Limited

**OVERVIEW OF
THE AMC**

NAMCO AMC was incorporated in 2005 as an unlisted public limited company under companies' ordinance, 1984. It is licensed to undertake asset management and investment advisory services. Financial statements for FY15 were audited by Mudassir Ehtisham & Co. Chartered Accountant. Head office of the company is located in Lahore.

RATING RATIONALE

The assigned rating takes into account National Asset Management Company Limited's (NAMCO's) weak relative positioning in an increasingly competitive asset management industry. In the recent years, capacity building in the areas of investment management, product development and marketing has remained subdued on account of limited financial resources available with the company. Subsequent to the equity injection by the main sponsor, NAMCO has become compliant with Minimum Equity Requirement (MER); the equity injection reflects sponsor's commitment with the company. Moreover, NAMCO's license to undertake asset management and investment advisory services has been renewed for the next three years with effect from Dec 13, 2013.

NAMCO is a small sized AMC with a market share of less than 1% at end-FY15 and is managing only two funds; NAMCO Income Fund (NIF) and NAMCO Balanced Fund (NBF). Overall Asset under Management (AUMs) of the AMC declined to Rs. 338.5m at end-FY15 (FY14: Rs 1.1b) and further to Rs. 283.8m at end-1HFY16. The AMC is the largest investor in both the funds. NIF continued to remain non-compliant with the mandatory minimum fund size requirement of Rs. 100m. A business plan has been formulated under which the management plans to convert NBF into an equity fund while NIF will be converted into an asset allocation fund. Moreover, development of marketing team is also envisaged.

Following the resignation of Mr. Zaheer Ahmad Paracha, Mr. Ali Nadeem, CIO, was given the additional charge of acting CEO of the company. The company has recently appointed Mr. Ali Raza Jaffery as CEO. Dedicated resources were inducted for research and marketing function. Scope of the risk & compliance function remained limited and mainly pertains to compliance with internal and regulatory requirement. Overall control infrastructure requires continuous focus by the management.

The AMC has formulated an Investment Committee (IC) which meets on a fortnightly basis; secondary research is consulted while making investment decisions. During the period under review, both funds under management witnessed sizeable redemption. Return of NBF benefited from uptick in the prices of selective stocks pertaining to cement, textile, power and services sector while fund's exposure to oil and gas sector was negligible. During FY15, NIF booked reversal of provisioning against a non performing investment positively reflecting on fund's return. During 1HFY16, NIF posted a return of -3.8% and was ranked lowest in its peer groups

Adjusting for capital gain, the company posted an operating loss of Rs 6.8m during FY15 (FY14: operating loss of Rs. 1.82m). Capital gain to the tune of Rs. 90.2m on AMC investment in its own fund led to the company reporting a profit during FY15.

National Asset Management Company Limited**Appendix I**

Name	Profile
Mr. AVM (Retd.) Farooq Umar (Chairman)	Mr. Umar served Pakistan Airforce for 35 years. He did MSc in War studies from Quaid-e-Azam University. He has also served as CEO and MD of PIA and President of Pakistan Hockey Federation (PHF).
Mr. Jahanzeb Luni (Director)	Mr. Luni did his Bachelors degree in political science and sociology from University of Baluchistan, Quetta. He carries experience in mining and agriculture sector and also served as a member of BoD of FNEL.

National Asset Management Company Limited**Appendix II**

Name	Designation	Qualification	Profile
Mr. Ali Raza Jaffery	CEO	Chartered Accountant	He has over thirteen years of experience in corporate and financial sector. Prior to joining NAMCO, he was CEO of Switch Securities.
Ms. Summaira Hussain	Research Analyst	MBA in Finance	She has over one year of experience in academic writing including a project and professional reports on financial markets.
Mr. Zahid Mehmood	Manager Marketing	MBA in Marketing	He has over 8 years of local and international experience in sales, business development and marketing.

JCR-VIS Credit Rating Company Limited

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

National Asset Management Company Limited

FINANCIAL SUMMARY		Appendix III	
<u>NAMCO INCOME FUND (NIF)</u>	1H FY16	FY15	FY14
Fund Size (in Rs. millions)	3.37	4.04	54.1
Return (%)	-3.77	212.63	5.34
Benchmark (%)	6.68	9.13	9.81
Retail Proportion (% of Investor)	-	52.39	1.60
Ranking Against Peers	28 of 28	1 of 28	26 of 27
<u>NAMCO BALANCED FUND</u>	1H FY16	FY15	FY14
Fund Size (in Rs. millions)	280.05	334.45	1076.63
Return (%)	6.13	56.88	19.19
Benchmark (%)	-3.08	13.91	7.37
Retail Proportion (% of Investor)	7.06	6.95	4.80
Ranking Against Peers	2 of 7	1 of 7	-

ISSUE/ISSUER RATING SCALE & DEFINITIONS**Appendix IV****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

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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

REGULATORY DISCLOSURE				Appendix V
Name of Rated Entity	National Asset Management Company 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
	01/28/2016	AM4-	Stable	Downgrade
	1/28/2015	AM4+	Stable	Downgrade
	6/11/2014	-	-	Suspended
	12/04/2012	AM3-	Negative	Maintained
	8/17/2011	AM3-	Positive	Reaffirmed
Instrument Structure	N/A			
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