

RATING REPORT

JS Investments Limited

REPORT DATE:

January 19, 2016

RATING ANALYSTS:

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RATING DETAILS		
	Latest Rating	Previous Rating
Rating Category	MQR	MQR
MQ Rating	AM2-	AM2-
Rating Date	Dec'31, '15	Aug20, '14

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Rating Category	MQR	MQR
MQ Rating	AM2-	AM2-
Rating Date	Dec'31, '15	Aug20, '14

COMPANY INFORMATION	
Incorporated in February 1995	External auditors: AMC – Deloitte Yousuf Adil, Chartered Accountants
	Chairman of the Board: Mr. Nazar Mohammad Shaikh
Key Shareholders: (above 5%)	Chief Executive Officer: Dr. Ali Akhtar Ali
JS Bank Limited – 52%	
Individuals – 37%	
Organizations – 10%	

APPLICABLE METHODOLOGY(IES)

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

JS Investments Limited

OVERVIEW OF THE AMC	RATING RATIONALE
<p>JS Investments Limited (JSIL) was incorporated on 22nd February, 1995 as a public listed company under the Companies Ordinance 1984. The company performs duties as an 'Investment Advisor' and 'Asset Management Company'. In addition, JSIL is a licensed Pension Fund Manager.</p>	<p>JS Investments Limited (JSIL) operates in the mutual fund industry as the oldest private asset management company in Pakistan. JSIL offers a product suite of nine collective investment schemes (CISs) and 2 voluntary pension schemes, both conventional and Shari'ah compliant in nature. Adjusted for fund of funds and associate investment, JSIL managed a market share of 1.95% at end-FY15 (FY14: 3.28%).</p> <p>JSIL is a subsidiary of JS Bank Limited (JSBL) which holds 52% of the company's shareholding. The remaining portion is primarily held by individuals (37%) and institutions (10%). The asset management company (AMC) receives support from JSBL via 'Space Utilization and Facilitation Agreement' allowing for sales operations through bank branches.</p> <p>Assets under management (AUMs) experienced a significant drop during FY15 on the back of opening of two closed-end funds. Major withdrawals were seen from group companies and one large financial institution taking AUMs from Rs. 14b at end-FY14 to Rs. 9b at end-FY15. A positive drawback from this is that withdrawals will now allow the AMC to be independent of sponsor investment.</p> <p>The board and senior management are taking serious efforts to address the issue of AUM withdrawals and bring to light previous plan on the same matter. The company has hired a new Country Head of Business Development who is a seasoned career banker. He has been charged in developing a larger sales force to compete with peers and drive AUM growth through retail clients. The sales team size has increased from 11 at end-FY15 to 55 at end-Dec'15. Based on the agreement with JSBL, JSIL sales employees are present in 13 bank branches. Their operations are independent of the banking side. The AMC intends to increase branch exposure to 50 while in parallel increase sales force to 100 by March 2016.</p> <p>While majority of funds' performance remains in the upper quartile, peer comparison in many cases has fallen with only three funds out of a total of 9 funds under management showing strong returns and relative ranking to peers. The JS-GF and JS-VF, the large equity based schemes experienced poor returns due to the impact unexpected redemptions had on performance. As such, management has taken steps to improve the overall operational efficiency of the fund management department by filling in key senior positions. This is expected to have a trickle-down effect on returns. The company hired a new Chief Investment Officer during 2015 along with a new Head of Research, who is expected to assume responsibilities at the turn of the year. Going forward, a complete fund management team will help improve the decision making process.</p> <p>JSIL has shown importance towards value-added services and customer relationship management. The company focuses on improving the experience of JSIL clients by providing them easy access to different services. The company has recently updated their website and is in testing phase to introduce online investment and ATM transactions linked with 1Link. Completion of the same will ease investment / redemption / conversion transactions.</p> <p>Decline in AUMs has impacted operating revenues from core operations. As such, the same resulted in a loss of Rs. 16m at end-2014 which grew further to Rs. 35m at end-9M15. Net profit of the company, though decreasing, is driven by gains from sale of investment. The bottom line decreased from Rs. 649m at end-2014 to Rs. 198m at end-9M15. Position of AUMs will have to be addressed as enhancement of sales effort will result in increased operating expenses.</p>

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

JS Investments Limited

FINANCIAL SUMMARY		Appendix I		
UNIT TRUST OF PAKISTAN (UTP)		FY15	FY14	FY13
Fund Size (in Rs. millions)		1,346.73	1,362.74	1,270.46
Return (%)		13.52%	23.56%	42.01%
Benchmark (%)		7.85%	18.21%	22.77%
Retail Proportion (% of Net assets)		22.0%	19.9%	
Ranking Against Peers		6 out of 7	4 out of 6	
JS GROWTH FUND (JS-GF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		2,395.70	4,974.26	4,243.76
Return (%)		12.42%	40.12%	56.91%
Benchmark (%)		5.67%	25.96%	35.95%
Retail Proportion (% of Net assets)		48.3%	33.1%	
Ranking Against Peers		16 out of 21	6 out of 23	
JS VALUE FUND (JS-VF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		923.74	2,075.37	-
Return (%)		9.72%	35.52%	
Benchmark (%)		5.67%	25.96%	
Retail Proportion (% of Net assets)		32.0%	24.9%	
Ranking Against Peers		18 out of 21	9 out of 23	
JS LARGE CAP FUND (JS-LCF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		898.66	801.97	1,731.52
Return (%)		31.74%	39.64%	54.57%
Benchmark (%)		5.67%	25.96%	35.95%
Retail Proportion (% of Net assets)		36.0%	30.7%	
Ranking Against Peers		4 out of 21	7 out of 23	
JS ISLAMIC FUND (JS-ISF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		513.71	446.97	362.47
Return (%)		42.90%	38.43%	45.51%
Benchmark (%)		20.10%	29.89%	54.41%
Retail Proportion (% of Net assets)		65.4%	34.2%	
Ranking Against Peers		1 out of 11	1 out of 8	
JS FUND OF FUNDS (JS-FoF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		170.98	141.32	84.08
Return (%)		20.44%	40.09%	21.01%
Benchmark (%)		21.16%	19.79%	26.91%
Retail Proportion (% of Net assets)		30.7%	30.0%	
JS CASH FUND (JS-CF)		FY15	FY14	FY13
Fund Size (in Rs. millions)		825.46	1,370.64	1,716.76
Return (%)		9.63%*	8.79%*	
Benchmark (%)		8.20%	8.73%	8.98%
Retail Proportion (% of Net assets)		22.0%	13.8%	
Ranking Against Peers		10 out of 19	19 out of 19	

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JS INCOME FUND (JS-IF)	FY15	FY14	FY13
Fund Size (in Rs. millions)	871.52	1,832.11	820.74
Return (%)	10.65%	7.67%	10.60%
Benchmark (%)	9.35%	10.30%	10.38%
Retail Proportion (% of Net assets)	18.7%	6.4%	
Ranking Against Peers	17 out of 20	15 out of 20	
JS ISLAMIC GOVERNMENT SECURITIES FUND (JS-IGSF)			
Fund Size (in Rs. millions)	177.85	244.42	-
Return (%)	6.22%	8.80%	-
Benchmark (%)	7.62%	7.16%	-
Retail Proportion (% of Net assets)	8.7%	41.3%	
Ranking Against Peers	2 out of 3	1 out of 3	
JS PENSION SAVINGS FUND (JS-PSF)			
<i>Equity sub-fund</i>			
Fund Size (in Rs. millions)	154.37	95.53	63.93
Return (%)	22.91%	61.51%	78.21%
<i>Debt sub-fund</i>			
Fund Size (in Rs. millions)	172.96	157.12	109.00
Return (%)	10.75%	4.36%	11.42%
<i>Money market sub-fund</i>			
Fund Size (in Rs. millions)	127.75	121.65	100.07
Return (%)	6.69%	6.91%	11.34%
JS ISLAMIC PENSION SAVINGS FUND (JS-IPSF)			
<i>Equity sub-fund</i>			
Fund Size (in Rs. millions)	116.69	85.55	70.59
Return (%)	32.03%	49.02%	55.71%
<i>Debt sub-fund</i>			
Fund Size (in Rs. millions)	61.08	53.24	47.65
Return (%)	3.90%	6.76%	7.86%
<i>Money market sub-fund</i>			
Fund Size (in Rs. millions)	54.85	48.99	44.14
Return (%)	5.32%	6.64%	6.56%

ISSUE/ISSUER RATING SCALE & 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.

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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

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REGULATORY DISCLOSURE		Appendix III		
Name of Rated Entity	JS Investments 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
	12/31/2015	AM2-	Stable	Reaffirmed
	8/20/2014	AM2-	Stable	Reaffirmed
	6/26/2013	AM2-	Stable	Reaffirmed
	1/11/2012	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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