

## RATING REPORT

### JS Investments Limited

**REPORT DATE:**

January 12, 2018

**RATING ANALYSTS:**

Muniba Khan

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#### RATING DETAILS

	Latest Rating	Previous Rating
Rating Category	MQR	MQR
MQ Rating	AM2	AM2
Rating Date	January 04, '18	January 05, '17

#### COMPANY INFORMATION

Incorporated in February 1995	<b>External auditors:</b> AMC – E&Y Ford Rhodes Sidat Hyder, Chartered Accountants Funds – A. F. Ferguson & Co. KPMG Taseer Hadi & Co. Grant Thornton Anjum Rahman & Co. Deloitte Yousuf Adil & Co.
	<b>Chairman of the Board:</b> Mr. Basir Shamsie <b>Chief Executive Officer:</b> Mr. Hasnain Raza Nensey
<b>Key Shareholders: (interest above 5%)</b> JS Bank Limited – 65% Individuals – 16% Jahangir Siddiqui & Sons Limited – 9%	

#### APPLICABLE METHODOLOGY(IES)

 Asset Management Companies (March 2016): <http://jcrvis.com.pk/docs/AMC-Methodology-201603.pdf>

## JS Investments Limited

### OVERVIEW OF THE AMC

*JS Investments Limited (JSIL) was incorporated in 1995 as a public listed company under the Companies Ordinance 1984. The company is a subsidiary of JS Bank Limited. JSIL has obtained required licensing for offering asset management, pension fund management and investment advisory services*

#### Profile of Chairman

*Mr. Basir Shamsie has been associated with JS Group since 1994 and is presently overseeing the Treasury, Wholesale and International Banking Group of JS Bank. Mr. Shamsie is a debt markets specialist and has closed various landmark debt transactions.*

#### Profile of CEO

*Mr. Hasnain Raza Nensey has an aggregate work experience of 23 years out of which 15 years belongs to the Financial Industry in Pakistan. Prior to joining JSIL, he spent 11 years at UBL Fund Managers Ltd in multiple capacities namely Chief Operating Officer, Chief Financial Officer & Chief Investment Officer. Prior to 2005, Mr. Nensey was associated with the JS Group in various roles including Chief Investment Officer at JS Abamco Limited. Mr. Nensey has a BSBA Degree with a concentration in Finance and Marketing from Boston University in Massachusetts, USA. He is also an MBA from Babson College in Massachusetts, USA.*

### RATING RATIONALE

**Market Share and Product suite:** As at end June 2017, JS Investment Limited (JSIL) accounts for 2.0% (FY16: 1.9%) of total market Assets Under Management (AUMs) adjusted for fund of funds. JSIL manages a total product suite comprising fourteen open end funds and fifteen SMAs. Going forward, the company plans to launch two new funds in the balanced and dedicated equity categories in the near future. As per projections, AUMs are targeted to reach Rs. 26b which are likely to aid in achieving breakeven by end-FY18. Achievement of these targets specified in the business plan is a key rating factor.

**Assets under Management (AUMs):** Total Assets under Management (AUMs) amounted to Rs. 11.1b (FY17: Rs. 12.1b, FY16: Rs. 8.5b) at end- September 2017. Around 40% (FY17: 39.1%; FY16: 37.6%) of AUMs pertain to retail investors and has increased since the last review. With the induction of a Chief Strategy Officer in 2017, the company has developed a business plan with its key focus on growth in AUMs. Efforts are also being made towards growing its retail proportion, going forward. Top 10 investors account for a sizeable percentage (FY17: 66.1%; FY16: 67.4%), making the entity susceptible to concentration risk. Nonetheless, management believes that with growth in AUMs this risk will also be reduced over time.

**Sales force & IT infrastructure:** The management's focus is geared towards strengthening the retail outreach of the sales team to grow its existing funds along with introducing additional funds. Sales team is also being further strengthened to reach out to its target market. In addition to the development of in-house sales team, progress has also been made recently in finalizing modalities for enhancing the utilization of the parent bank's network for generating sales. JCR-VIS will continue to monitor the results of these initiatives. Moreover, in an effort to increase share of retail segment and reduce investor concentration, retail sales teams have been developed and marketing infrastructure has been strengthened. Current ratings also take into account JSIL's plans to improve customer relationship management utilizing its existing IT infrastructure.

**Management Team:** Current rating takes into account turnover witnessed at key senior management positions since last review. Earlier in FY17, JSIL experienced a change at the helm, with Mr. Hasnain Raza Nensey assuming the office of Chief Executive Officer. Following this, several changes were witnessed at the management level including position of Chief Investment Officer and Chief Strategy Officer; the latter position had been vacant for the past two years. Hiring has also been undertaken in the business development and information technology functions. Going forward, stability of the management team, which is being addressed, is considered important to achieve long term objectives of the company.

**Investment Management:** The investment management team is supported by research function while compliance and risk, as a combined function, monitor various aspects pertaining to regulations and market risk. Scope of risk management may be enhanced, going forward. Segregation of the same is warranted to avoid conflict of interest, best governance practices and given the size of the organization. Furthermore, despite risk manager's due significance; he is not a member of Investment Committee.

**Fund Performance:** Barring its largest income fund, JS Income Fund, performance of JSIL's collective schemes compared less favorably in comparison to peers. With the induction of experienced new team and restructuring, management anticipates performance to improve, going forward.

**JS Investments Limited**

FINANCIAL SUMMARY				Appendix I
<b>UNIT TRUST OF PAKISTAN (UTP)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	1,687	1,350	1,347	1,363
Return (%)	24.5%	7.0%	13.5%	23.6%
Benchmark (%)	12.1%	3.8%	7.9%	18.2%
Retail Proportion (% of Net assets)	21%	20%	22%	20%
Ranking Against Peers	4 out of 7	3 out of 6	6 out of 7	4 out of 6
<b>JS GROWTH FUND (JS-GF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	2,612	2,128	2,396	4,974
Return (%)	37.6%	3.9%	12.4%	40.1%
Benchmark (%)	17.9%	0.4%	5.7%	26.0%
Retail Proportion (% of Net assets)	52%	51%	48%	33%
Ranking Against Peers	2 out of 20	15 out of 20	16 out of 21	6 out of 23
<b>JS VALUE FUND (JS-VF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	1,201	1,073	924	2,075
Return (%)	25.5%	13.7%	9.7%	35.5%
Benchmark (%)	17.9%	0.4%	5.7%	26.0%
Retail Proportion (% of Net assets)	24%	28%	32%	25%
Ranking Against Peers	15 out of 20	5 out of 20	18 out of 21	9 out of 23
<b>JS LARGE CAP FUND (JS-LCF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	789	665	899	802
Return (%)	44.3%	4.8%	31.7%	39.6%
Benchmark (%)	17.9%	0.4%	5.7%	26.0%
Retail Proportion (% of Net assets)	47%	39%	36%	31%
Ranking Against Peers	1 out of 20	15 out of 20	4 out of 21	7 out of 23
<b>JS ISLAMIC FUND (JS-ISF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	131	462	514	447
Return (%)	46.1%	5.9%	42.9%	38.4%
Benchmark (%)	18.8%	15.5%	20.1%	29.9%
Retail Proportion (% of Net assets)	47%	71%	65%	34%
Ranking Against Peers	1 out of 17	11 out of 16	1 out of 11	1 out of 8
<b>JS FUND OF FUNDS (JS-FoF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	312	190	171	141
Return (%)	21.4%	9.1%	20.4%	40.1%
Benchmark (%)	15.7%	4.0%	21.2%	19.8%
Retail Proportion (% of Net assets)	29%	44%	31%	30%

<b>JS CASH FUND (JS-CF)</b>	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	821	782	825	1,371
Return (%)	5.7%	5.7%	9.6*	8.8%*
Benchmark (%)	5.3%	5.7%	8.2%	8.7%
Retail Proportion (% of Net assets)	24%	56%	22%	14%
Ranking Against Peers	18 out of 22	9 out of 22	10 out of 19	19 out of 19
<b>JS INCOME FUND (JS-IF)</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	2,168	879	871	1,832
Return (%)	7.0%	6.3%	10.7%	7.7%
Benchmark (%)	6.3%	6.7%	9.4%	10.3%
Retail Proportion (% of Net assets)	20%	14%	19%	6%
Ranking Against Peers	5 out of 29	21 out of 28	17 out of 20	15 out of 20
<b>JS CAPITAL PROTECTED FUND V (JSCPFV)</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	270	299	-	-
Return (%)	5.7%	0.1%	-	-
Benchmark (%)	6.4%	0.2%	-	-
Retail Proportion (% of Net assets)	23%	34%	-	-
<b>JS ISLAMIC HYBRID FUND OF FUNDS</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<i>Fund Size (in Rs. millions)</i>				
Mustahkem	232	-	-	-
Munafa	26	-	-	-
Mustanad	813	-	-	-
Mutanasib	72	-	-	-
Mufeed	77	-	-	-
<b>JS ISLAMIC GOVERNMENT SECURITIES FUND (JS-IGSF)</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
Fund Size (in Rs. millions)	109.6	192	178	244
Return (%)	3.6%	3.7%	6.2%	8.8%
Benchmark (%)	4.2%	5.5%	7.6%	7.2%
Retail Proportion (% of Net assets)	5%	6%	9%	41%
Ranking Against Peers	2 out of 3	3 out of 3	2 out of 3	1 out of 3
<b>JS PENSION SAVINGS FUND (JS-PSF)</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<i>Equity sub-fund</i>				
Fund Size (in Rs. millions)	267	159	154	96
Return (%)	41.3%	3.4%	22.9%	61.5%
<i>Debt sub-fund</i>				
Fund Size (in Rs. millions)	160	147	173	157
Return (%)	4.6%	5.3%	10.8%	4.4%

<i>Money market sub-fund</i>				
Fund Size (in Rs. millions)	113.8	112	128	122
Return (%)	4.4%	4.1%	6.7%	6.9%
<b>JS ISLAMIC PENSION SAVINGS FUND (JS-IPSF)</b>				
	<b>FY17</b>	<b>FY16</b>	<b>FY15</b>	<b>FY14</b>
<i>Equity sub-fund</i>				
Fund Size (in Rs. millions)	190	124	117	86
Return (%)	38.0%	4.1%	32.0%	49.0%
<i>Debt sub-fund</i>				
Fund Size (in Rs. millions)	70	62	61	53
Return (%)	5.2%	3.9%	3.9%	6.8%
<i>Money market sub-fund</i>				
Fund Size (in Rs. millions)	54.9	53	55	49
Return (%)	3.9%	2.4%	5.3%	6.6%

## ISSUE/ISSUER RATING SCALE &amp; DEFINITIONS

## Appendix II

**RATING SCALE - 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.*

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**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	<b>JS Investments Limited</b>			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	1/04/2018	AM2	Stable	Reaffirmed
	1/05/2017	AM2	Stable	Reaffirmed
	5/04/2016	AM2	Stable	Harmonised
	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 asset management quality only and is not a recommendation to buy or sell any securities.			
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