

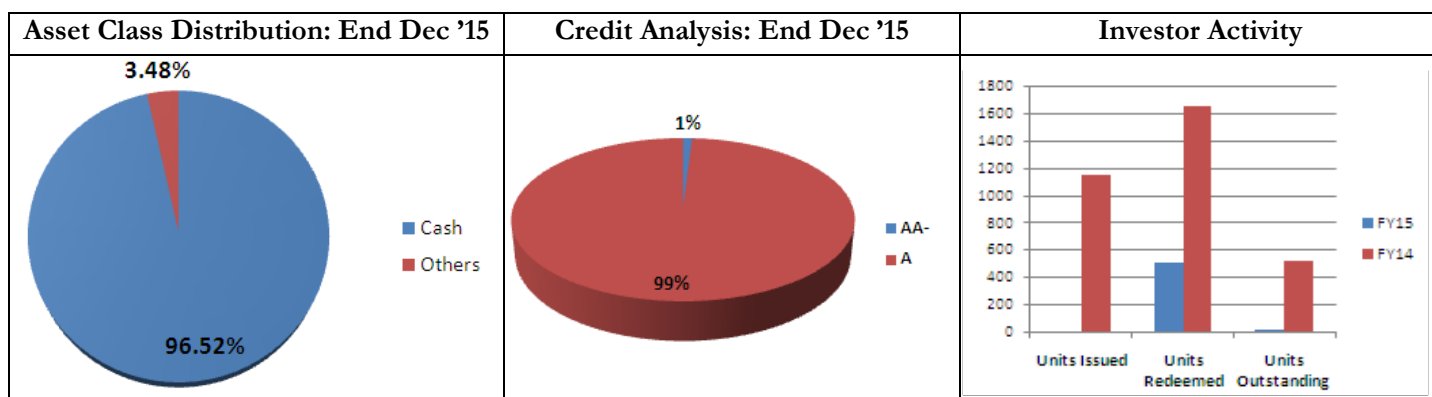
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Investment Objective

NIF aims to provide stable stream of income with moderate level of risk by investing in fixed income securities.

NAMCO Income Fund (NIF)		
Rating Category	Latest	Previous
Fund Stability Rating	BB-(f)	BB(f)
	Jan 28, '16	Jan 08, '15
Management Company	National Asset Management Company Limited	
Chief Executive	Mr. Ali Raza Jaffery	
Fund Manager	Mr. Zain Naeem	
Trustee	MCB Financial Services Ltd.	
Front-end Load	Nil	
Back-end Load	Nil	
Management Fee	1.25% per annum.	
Benchmark	1-Month Kibor	



NIF was launched in July, 2008 as a listed open end fund. Sizeable redemptions were witnessed in the fund during FY15 with net assets declining to Rs. 4.04 m at end-FY15 (FY14: Rs. 54.11m). During 1HFY16, net assets further declined to Rs. 3.37m. The fund size of NIF remained lower than the minimum fund size requirement of Rs. 100m. Efforts are being made by the management to increase the AUMs of the fund.

As per the IPS, exposure in 'A-' rated instruments is capped at 30% of net assets, with the remaining required to be deployed in instruments rated 'A' and above. Moreover, total exposure in sukuks and privately placed sukuks is capped at 50% with a minimum exposure of 25% to be held in cash and near cash instruments. Following table presents the pre-defined limits of the fund in different asset classes.

Table 1: NIF Operational Limits

Investments	Minimum Entity/Instrument Rating	Maximum Exposure as % of net assets
GoP investment bonds, Federal Investment bonds, T-Bills, & other Govt. Securities	n/a	75%
Secured & listed debt securities, issued by local government agencies	n/a	75%
Secured & listed debt securities issued by public sector entities & FPs	A-/A	50%
Securities & listed debt securities issued by private sector entities/ FPs	A-/A-	50%
Debenture & Debenture stock	A-/A-	50%
TFC Listed	A/A	50%
TFC Privately placed	A-/A-	50%
Modaraba & Musharika certificate	A-/A-	50%

Sukuks	A-/A-	50%
Asset-backed or mortgage backed securities or debt securities traded in the OTC markets	A-/A	30%
L.T, M.T and S.T deposits with commercial banks	A-/n/a	100%
Long, medium and short term deposits in foreign currencies with Commercial Banks after prior approval of the authorities	n/a	50%
Commercial Papers	A-/A	50%
Convertible debt securities issued by corporate/financial institutions	A-/A-	50%
Certificate of Investments/Deposits issued by FIs.	A-/n/a	50%
Repo against Money market and fixed income securities	A-/A-	75%
MTS or its replacement with SECP approval*	n/a	40%
Spread Transactions.	n/a	40%
Subject to obtaining approval of SECP or other regulatory approvals, invest in foreign fixed income and money market securities on such terms, guidelines and direction as may be issued by SECP and SBP	n/a	30%
Total Exposure in SUKUKs & Privately placed TFCs	n/a/A-	50%
Cash and near cash instruments which include cash in bank account (excluding TDRs), T-Bills not exceeding 90 days maturity	A-/A-	100%
Investment in Non-traded securities including reverse repos, bank deposits, COI, COM and over 6 months maturity which is not a marketable security	A-/A-	15%
Total exposure in CFS	n/a	40%
Maximum exposure in A-Instruments	A-/A-	30%

* not more than 20% of MTS amount in one scrip at time of investment

With attrition in fund size, actual asset allocation of the fund has changed considerably. During FY15, around one-fifth of the assets were deployed in cash & bank balances as per month end balances; these increased to 96.5% of funds assets at end-1HFY16 while remaining were held as security deposits. Cash and bank balances are deposited with banks having ‘A’ rating.

Table 2: Average Asset Allocation

	1HFY16	FY15	FY14
Unlisted Sukuk/TFCs	-	39.9%	23.17%
Cash and Bank Balance	86.4%	19.2%	57.88%
Other Assets	13.6%	40.9%	18.95%

During FY15, the fund disposed investment in the TFC of B.R.R guardian modarba, a non performing investment; the company booked reversal of provisioning against the investment amounting to Rs. 0.6m positively reflecting on fund’s return. During 1HFY16, fund posted a return of -3.8% and was ranked lowest in its peer group. Following table depicts the performance of NIF

Table 5: Performance summary

	1HFY16	FY15	FY14
Net Assets (Rs. in millions)	3.37	4.04	54.1
Return	-3.8%	212.6%	5.3%
Peer Group Average	6.9%	19.7%	8.2%
Benchmark	6.7%	9.1%	9.8%
Relative Ranking*	28 of 28	1 of 28	26 of 27

Total number of investors in the fund decreased to 75 by end-FY15 (FY14: 82). Concentration related indicators remained weak with AMC itself being the largest single investor in the fund.

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: Fund Stability Rating</u>				
28-Jan-16	BB- (f)	-	-	Downgrade
8-Jan-15	BB (f)	-	-	Downgrade
2-Jan-13	A- (f)	-	-	Downgrade
19-Sept-11	A(f)	-	-	Reaffirmed