

Date: Dec 17, 2013

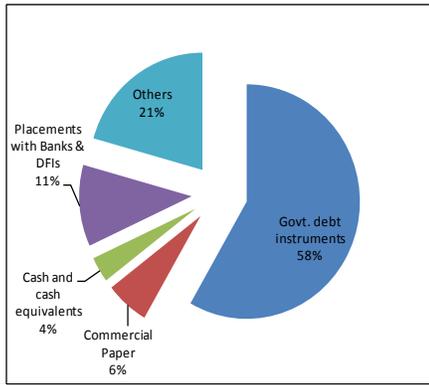
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Usman Ali Khan

Investment Objective

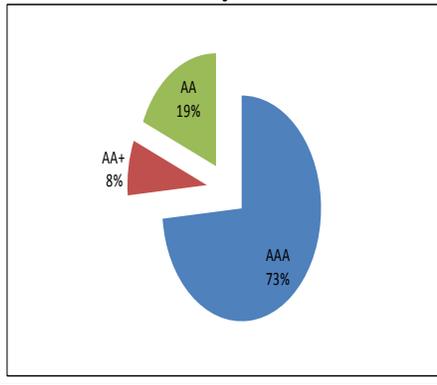
To provide stable and competitive returns in line with the money markets exhibiting low volatility consistent with capital preservation by constructing a liquid portfolio of low risk short term investments yielding competitive returns.

Faysal Money Market Fund		
Rating Category	Latest	Previous
Fund Stability Rating	AA+ (f) Aug 02, 2013	AA+ (f) Mar 29, 2012
AMC	Faysal Asset Management Limited	
Chief Executive	Mr. Enamullah Khan	
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder	
Fund Manager	Mr. Syed Shahid Iqbal	
Trustee	Central Depository Company	
Front-end Load	Nil	
Back-end Load	Nil	
Management Fee	0.8%	
Benchmark	50% 3m T-Bills and 50% average 3m deposit rate of AA rated and above banks	

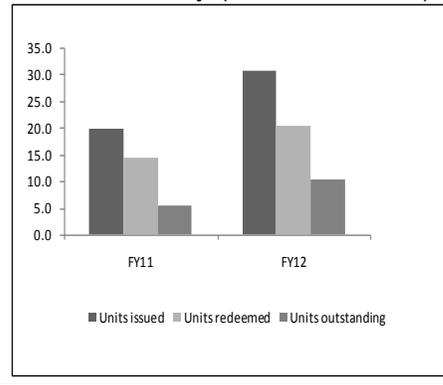
Asset Class Distribution: Mar'13



Credit Analysis: Mar'13



Investor Activity (Units in millions)



Faysal Money Market Fund (FMMF) was launched in December 2010. Net assets of FMMF stood at Rs. 2.87b (FY12: Rs. 1.64b; FY11: Rs. 580m) at end June-13. The investment policy of the fund is designed to maintain low exposure to credit and market risks. Permissible asset classes and exposure limits, along with target allocation of the fund are as follows:

Table 1: Investment Limit-based on net assets

Asset Class	Min Entity Rating	Exposure Limit
Cash and near cash instrument	AA	0-100%
Deposits with Banks & Financial Institutions (FIs) of maximum 6 months maturity	AA	0-100%
COIs, COMs and deposits issued by FIs	AA	0-75%
Money market placements with Banks & FIs including clean placements	AA	0-75%
Govt. Securities up to 6 month maturity	AAA	50%-100%

Reverse repo against gov. securities	AA*	0-50%
Commercial Paper up to 6 month maturity	AA	0-50%
Foreign money market instruments**	AA	0-30% as allowed by SECP/SBP
Any other security/instrument that may be permitted by the Commission	N/A	0-70%

*counterparty rating: AA in case of Banks/DFIs and AAA in case of NBFCs/Modaraba

The exposure limits defined above are subject to the following conditions:

- Investment in AA rated instruments/entity shall not be more than 30% of net assets.
- Weighted average duration of the fund shall not exceed 60 days.

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As depicted in the above table, the fund is also allowed to take exposure between 0-30% in money market instruments issued, listed and traded outside Pakistan, with a minimum rating of 'AA.' The fund however does not plan to assume any overseas exposures, over the foreseeable horizon.

Risk Profile

Actual asset allocation of the fund on a timeline basis is presented in the following table:

Table 2: Asset Allocation of the Fund

Asset Allocation	End-FY12	End-FY13
Govt. debt instruments	58.0%	51.3%
Commercial Paper	11.6%	5.2%
Cash and cash equivalents	2.3%	6.7%
Placements with Banks & DFIs	27.4%	36.3%
Others	1.3%	0.6%
Net assets (Rs. in billions)	1.6	2.9

Target asset allocation of the fund for FY13 entailed holding of at least 50% in T-bills, having maximum maturity of six months. During July – December 2012, exposure in t-bills was generally maintained at under 60%, except at end-September 2012. During the second half of out-going year, t-bills mostly comprised a much higher proportion of net assets, peaking at 93.4% at end-February 2013. By close of the year, exposure in t-bills was trimmed down to 51.3% of net assets. Remaining assets were held as cash in bank deposits and placements with banks and DFIs. These represented 20.1% of net assets on an average, during FY13. In addition to this, the fund also invested in commercial papers of power sector related companies; assets deployed in this avenue comprised 5.2% of net assets as at end June'13.

Overall, exposure of the fund to credit risk has been maintained on the lower side, with placements by the fund maintained with institutions having at least 'AA' credit rating, as laid down in the policy. Moreover, the fund's susceptibility to interest rate risk is low with weighted average maturity of assets at 42 days as at end June'13. The fund manager targets to bring down duration to 30 days, going forward.

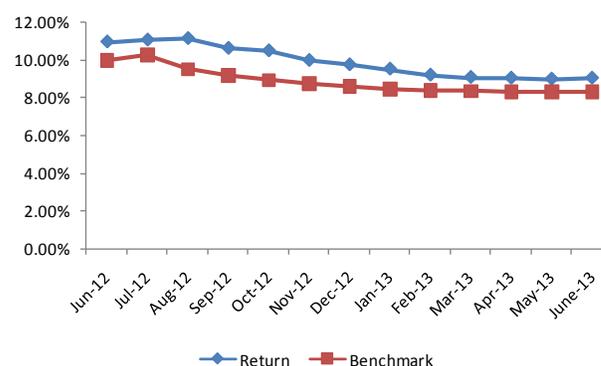
Total number of investors stood at 287 (FY12: 275) with share of retail investors only at 0.78% of net assets.

Concentration in unit holding is high since top ten investors hold 80% of outstanding units. The largest investor as at Dec'12 was FBL with a holding of 43% of outstanding units (FY11: 57%). The liquidity profile of the fund is considered sound given the liquidity profile of assets. The fund may nevertheless benefit from a more diversified investor profile.

Performance

The fund's annualized YTD performance remained above the benchmark, though converging towards the benchmark in recent months, as depicted in the following graph:

Figure 1: YTD Return vis-à-vis benchmark



Performance of the fund is presented in the following table:

Table 3: Annual Performance

	FY12	FY13
Return	10.98%	9.06%
Benchmark	9.98%	8.33%

The fund's benchmark includes 50% 3 month T-bill rate and 50% average 3 months deposit rate of AA and above rated banks. Return of the fund has been higher than benchmark during FY13 and FY12. In comparison to peers, the fund's performance does not compare very favorably, with return being close to the peer group median. Given the profile of assets, the fund's exposure to downside risks is considered low and accordingly, returns are expected to exhibit stability, unless volatility is experienced in the discount rate itself [JCR-VIS](#)

Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability</u>				
02-Aug-13	AA+(f)			Reaffirmed
29-Mar-12	AA+(f)			Reaffirmed
20-May-11	AA+(f)			Final
07-Dec-10	AA+(f)			Preliminary