

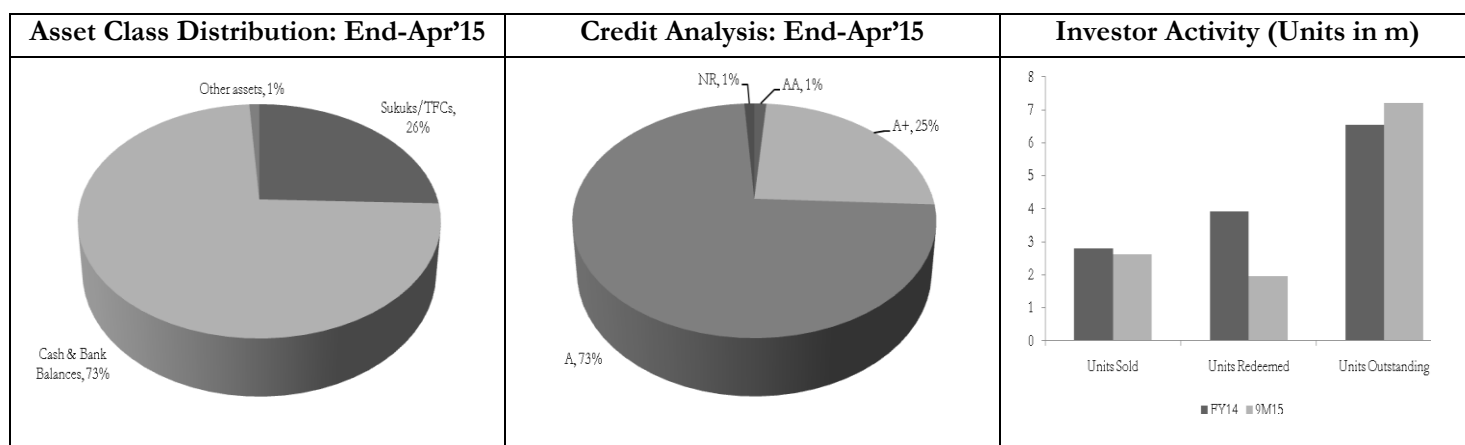
June 29, 2015

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**Investment Objective**

FISGF seeks to provide maximum possible preservation of capital and a reasonable rate of return by investing in Shari’ah compliant money market and debt securities having good credit quality and liquidity.

Faysal Islamic Savings Growth Fund		
Rating Category	Latest	Previous
Fund Stability Rating	A(f)	AA- (f)
	Jun 29, 2015	Aug 02, '13
Management Company	Faysal Asset Management Limited	
External Auditors	Ernst & Young Ford Rhodes Sidat Hyder	
Fund Manager		
Trustee	Central Depository Company	
Management Fee	1.50% per annum	
Front-end Load	Nil	
Benchmark	Average 6M deposit rate of 3 Islamic Banks	



Faysal Islamic Savings Growth Fund (FISGF) is governed by a well defined investment policy which has established limits for each of the approved investment avenues, with all exposures subject to Shari’ah screening criteria. As per the policy limits detailed in the table below, 100% of assets may be deployed in government securities or banks having a minimum medium to long-term entity rating of ‘AA-’.

**Table 1: Operational Investment Policy**

Description	Minimum Entity/Instrument Rating	Min-Maximum Exposure
Shariah Compliant Government Securities/ Shariah Compliant Government backed Securities	AAA	0%-100%
Shariah Compliant Term Finance Certificate, PPTFCs, Sukuks, Shariah Compliant Participation Term Certificates;	AA-	0-50%
Certificates of Investment, Commercial Papers based on Shariah compliant	A+	0-10%

structures.

Bank Deposits, TDRs of various tenors in licensed; Islamic Banks/Development financial institution and licensed Islamic Banking windows of conventional Banks\*

AA- 0-100%

Net assets of the fund declined to Rs. 665.4m (FY13: Rs. 785m) by end-FY14. However, fund size increased to Rs. 830.1m by end-April 2015. Actual asset allocation of the fund on a timeline basis is presented as follows:

**Table 2: Asset Allocation of FISGF**

	Apr-15	Average FY14	Jun-14	Jun-13
Sukuks/TFCs	25.6%	14.3%	14.8%	0.0%
Term Deposits	0.0%	9.5%	0.0%	0.0%
Cash & Bank Balances	73.4%	47.7%	83.5%	55.1%

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

Commercial Paper	0.0%	7.1%	0.0%	0.0%
Other assets	1.1%	4.5%	1.7%	1.9%
GOP Ijara	0.0%	16.8%	0.0%	43.0%

Almost 48% of assets were deployed in cash and cash equivalents, based on month end averages during FY14. However, the fund maintains this exposure at higher levels at year ends. More than 80% of assets were parked as cash and bank balances at end-FY14. On an average, almost 22% of fund's assets were deployed in sukuk's of K-Electric and GoP Ijara, during FY14. From March 2014, exposure in GoP Ijara reduced to nil for the remaining months of FY14. As per the operational investment policy of the fund, a maximum of 10% exposure may be taken in 'A+' rated counterparties whereas the remaining exposures are subject to rating of 'AA-' or higher. However, more than 60% of assets have been consistently deployed in exposures with a rating of 'A' from April 2014 onwards. Over time, the credit risk associated with the fund's assets has increased as almost three-fourth of assets remained deployed in assets rated 'A', at end-April 2015.

Target duration of FISGF has been capped at 180 days. Given that return on Shari'ah compliant instruments available in the market is pegged to benchmark rates comprising 6 months deposit rates, actual duration is expected to remain in line with policy limit. Weighted average time to maturity (WAM) of net assets was reported at 1.03 years (FY14: 258.4 days, FY13: 0.7 years), at end-April 2015.

Despite increase in fund size, concentration is still considered on the higher side with top ten investors holding 60% of outstanding units at end-March 2015. There were a total of 409 (FY14: 335, FY13: 365) investors holding the fund at end-March 2015. Proportion of retail clients in the total number of investors remained unchanged at 42%.

Performance of the fund is benchmarked against average of six month deposit rates offered by three Islamic banks. Actual return has remained higher than benchmark. Though return of the fund remained lower than peer average, performance of the fund improved in 9M15. Resultantly, relative ranking of the fund improved from the fourth to first quartile of peer group. As such, the fund should be able to depict stability in returns unless there is a change in market benchmark rates<sup>JCR-VIS</sup>

**Table 3: Performance of the fund**

	9M15	FY14	FY13
<b>Return (%)</b>	8.57	7.65	8.28
<b>Benchmark (%)</b>	6.86	6.92	7.30
<b>Peer Average</b>	7.23	8.01	9.15
<b>Relative Ranking</b>	3/13	10/12	9/11