



The Pakistan Credit Rating Agency Limited

## Rating Report

### NBP Fund Management Limited

#### Report Contents

1. Rating Analysis
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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
22-Jun-2023	AM1	-	Stable	Maintain	-
22-Jun-2022	AM1	-	Stable	Maintain	-
23-Jun-2021	AM1	-	Stable	Maintain	-
24-Jun-2020	AM1	-	Stable	Maintain	-
24-Dec-2019	AM1	-	Stable	Maintain	-
27-Jun-2019	AM1	-	Stable	Maintain	-
28-Dec-2018	AM1	-	Stable	Maintain	-
30-Jun-2018	AM1	-	Stable	Maintain	-
08-Dec-2017	AM1	-	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The rating reflects the NBP Fund Management Limited's ("NBP Fund" or the "AMC") dominant market position as one of the leading players in the asset management industry. The rating takes comfort from a stable & professional management team, a well-defined investment process, a well-developed risk management function, and a strong brand name. Since Jun'22, the AUMs base of the Company mounted significantly by ~32% to PKR 234bln (as of Mar 23), while the industry grew by 21%. Resultantly, the market share increased to 15.2% as of Mar'23 (Jun 22: 14.1%). Overall, AUMs mix is tilted towards the money market and income category. As an investment advisor, the AMC is managing 93 accounts under a discretionary portfolio. Since, Jun'22 AMC has launched multiple plans under the money market and the fixed rate/return category both Islamic and conventional, which have contributed in overall AUMs growth of AMC. The majority of the Funds falling under the money market and income categories remained in the top quartile in trailing 12M since Apr'22. While the performance of the Funds falling under the equity category is majorly attributable to stock market performance and remained in line with peer's fund performance. The clientele mix of the AMC retail : institutional is continuously improving since Mar'22. Resultantly, the investor concentration on the AMC level has also diluted, which added granularity to the overall investor base of the AMC. The AMC is following an aggressive growth strategy by enhancing focus on the digital front to augment retail client penetration. Current applications in use for investor servicing are i) N-Pay ii) Sahulat Sarmaya Kari iii) NBP Fund Digital iv) WhatsApp Self Service v) Debit Cards and vi) Swift Pay. While the AMC is the pioneer in introducing cash management applications (NPay) for corporate client's IBFTs. The AMC is using its own branch network of 29 branches for its operations and has support of NBP branches for its operations.

On the period ended Mar'23, the management fee increased by 29% YoY basis while the AMC remained profitable with PKR 252mln (Mar'22: PKR ~198mln). The equity base of the Company reported at PKR 1,494mln at the end of Mar'23 (Jun'22: PKR ~1,362mln). The capitalization and fee-generation capabilities provide a cushion against market volatility

The rating is dependent on the management's ability to sustain its market share. Upholding strong organization structure and controls along with retention of key personnel is imperative. Consistent superior fund performance remains imperative for the rating.

#### Disclosure

<b>Name of Rated Entity</b>	NBP Fund Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Assessment Framework   Asset Manager Rating(Jun-22),Methodology   Rating Modifiers(Jun-22)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-22)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** NBP is the largest shareholder followed by Baltoro Growth Fund. Association with NBP provides strength with a network of 1,512 branches including 18 overseas branches. NBP enjoys highest credit rating of 'AAA' by PACRA.

**Background** NBP Fund Management Limited was incorporated in 2005 as a public unlisted company. The Company is licensed by SECP to carry out asset management and investment advisory services. NBP Fund is one of the largest Asset Management companies in Pakistan with a diversified product slate in conventional and shariah compliant categories.

**Market Share** The market share of Company has increased by 6% and currently stood at 15.2% at end Mar'23 (Jun'22: 14.1%). The company still retained its second highest AUMs share in market.

**Diversification Of Fund Mix** The Company is currently managing a diverse product slate of twenty-nine funds in twelve different conventional and Shariah Compliant categories and three voluntary pension schemes. Investor Concentration and several investment advisory mandates SMAs.

**Investor Concentration** At the AMC level, the top 10 investor concentration stood at ~29% at the end of Mar'23 (Mar'22: 27%) and the average related party holding represents ~14% of total AUM.

## Ownership

**Ownership Structure** NBP is the largest shareholder of NBPFML with a stake of 54% followed by Baltoro Growth Fund with a stake of 36%. The CEO of NBP Fund, Dr. Amjad Waheed, CFA, and family members, hold the remaining 10% stake in the Company.

**Business Acumen** Building on decades of expertise and sustained profitability, National Bank of Pakistan enjoys strong financial foundation and outreach across all regions of the country. It is one of the most recognized names in banking industry.

**Financial Strength** With an asset base of ~PKR 3.2bln at end Mar'23, the association with National Bank of Pakistan provides strong support and lend credence to NBP Fund.

## Governance

**Board Structure** The Company's nine-member board comprises the CEO, three representatives of National Bank of Pakistan, two representatives of Baltoro Growth Fund and three independent directors.

**Members' Profile** Muhammad Abdul Wahid Sethi, Mehnaz Salar and Tauqeer Mazhar are the representatives of NBP whilst Ali Saigol and Imran Zaffar are the representatives of Baltoro Growth Fund. The board carries diversified experience (32 Years on average) in different business areas, particularly banking, and investment management.

**Board Effectiveness** There are three committees at the board level, Audit and Risk Committee, HR and Remuneration Committee and Strategy and Business Planning for effective monitoring and board assistance. The board meeting attendance ratio is almost 100% for all board of directors.

**Transparency** NBP Fund has an in-house internal audit department to monitor control systems. It reports quarterly to the audit committee of the Board regarding its findings and ensures compliance of corrective actions. The external auditors of the Company are Yusuf Adil Chartered Accountants

## Management

**Organizational Structure** NBP Fund operates through thirteen departments. For smooth functioning, there are nine management committees headed by the CEO except for Operational & Financial Risk Management Committee, which is headed by the CFO.

**Management Team** The management team of NBP Fund comprises of experienced and qualified professionals. CEO, Dr. Amjad Waheed, CFA, holds a Doctorate in Business Administration. He has extensive experience in domestic and international capital markets spanning over two decades. Mr. Asim Wahab Khan, Chief Investment Officer, holds MBA in Finance and is a CFA Charter holder. He has been associated with the Company from 3 years.

**Technology Infrastructure** The Company is using an in-house developed asset management application as its core business software. The system has separate modules for equity and fixed income securities.

**Control Environment** The risk management department is being led by Mr. Adeel Qayyum ACCA, CFA and FRM and generates a variety of MIS reports that broadly covers all of the fund's consolidated exposure status against the allowed limits. NBP Fund has an in-house Internal Audit Department (IAD), headed by Mr. Syed Waheed UI Hassan Abidi, ACA. IAD is independent of the management and reports quarterly to the Audit and Risk Committee of the Board.

## Investment Risk Management

**Credit Risk** The Company has an internal risk assessment software (MIS reports) that generates variety of reports, and limits overall exposure as per defined limits.

**Liquidity Profile** The Company has a sound IT infrastructure providing liquidity status report to management team. NBPFML maintains liquidity cushions for anticipated redemption requirements and strictly adheres to defined limits.

**Market Risk** The risk management department conducts regular sessions with the fund management department to deliberate on the prevailing industry dynamics and market conditions. NBP Fund manages market risk by monitoring exposure in marketable securities, following the internal risk management policies, and regulations laid down by the SECP.

## Portfolio Management

**IC Composition** The investment decision making process is well-structured with the CEO providing critical support. The Company convenes separate Investment Committees, each for fixed income and equity funds. Each committee comprises CEO, CIO and Head of Research along with the head of fixed income and head of equity accompanied by respective fund managers and head of risk as a permanent member.

**Effectiveness** The Investment Committee formally meets on weekly basis and the research department presents an investment summary to the committee.

**Investment Research And Analysis** The research department falls under the purview of CIO, headed by Mr. Hassan Raza, CFA having over six years of experience in the equity research. The team comprises of six well experienced and qualified research analysts. Fund performance is also monitored by the research department on a regular basis. To retain and increase its share in the SMA segment, management has a complete separate team to provide personalized services to high net worth individuals.

## Customer Relationship

**Investor Services** Investor Services Department is responsible to handle communication to investors and for responding to all types of queries from existing as well as potential investors. Fund offers online portal, mobile-app, I-Link and M-Net ATM services to facilitate its investors for online transactions. The Company has also setup a call center for complaints resolution. The company has also developed an Online Portfolio Information System for SMA Clients.

**Investor Reporting** The Company publishes fund manager reports on its website in a timely manner. The CEO and CIO also provides summarized short videos on market and sector analytics.

**Distribution And Sales Network** Distribution and sales network of the Company comprises of retail and Corporate segments. The retail segment falls under the purview of CEO. NBP Fund has a large sales team of ~385 employees. Client Relationship Management is implemented centrally and provides useful guidance in monitoring performance of sales managers and investment consultants.

## Performance

**Asset Under Management** Most of the company's funds posted above average performances when compared to their benchmarks. The Shariah Compliant money market and income category funds performed above than the benchmark and industry average and out performed the benchmark by significant margin. NBP Islamic Stock Fund over performed both benchmark and industry average.

**Asset Manager** The profitability of NBP Fund remained adequate at PKR 251.7mln at the period ended Mar'23. The Company has very strong capitalization with equity standing at PKR 1.4bln at Mar'23.

Fund's Performance | NBP Fund Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' min)				Return   Rolling 12 Months Mar'23			Rolling 12 Months	
				Mar-23	Dec-22	Sep-22	Jun-22	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark
1	NBP Financial Sector Income Fund	Income	17.99%	42,170	62,783	59,476	39,200	16.3%	12.4%	16.4%	3.9%	-0.1%
2	NBP Money Market Fund	Money Market	24.59%	57,619	56,064	53,117	51,107	16.1%	15.4%	15.0%	0.7%	1.1%
3	NBP Stock Fund	Equity	4.57%	10,718	10,768	13,036	13,668	-16.5%	-13.2%	-3.8%	-3.3%	-12.7%
4	NBP Islamic Daily Dividend Fund	Shariah Compliant Money Market	9.33%	21,861	17,682	10,427	11,119	15.0%	15.5%	5.6%	-0.5%	9.4%
5	NBP Islamic Mahana Amdani Fund	Shariah Compliant Income	4.03%	9,448	10,998	10,112	10,365	13.7%	12.3%	5.3%	1.4%	8.4%
6	NBP Islamic Income Fund*	Shariah Compliant Income	2.61%	6,114	7,267	7,543	7,450	14.2%	12.3%	5.3%	1.9%	8.9%
7	NBP Income Opportunity Fund	Income	2.32%	5,437	5,926	6,596	7,375	14.2%	12.4%	16.4%	1.8%	-2.2%
8	NBP Islamic Money Market Fund	Shariah Compliant Money Market	6.19%	14,503	9,314	6,626	6,024	14.3%	15.5%	5.6%	-1.2%	8.7%
9	NBP Islamic Stock Fund	Shariah Compliant Equity	1.35%	3,161	4,203	4,710	5,188	-13.8%	-12.1%	-4.9%	-1.8%	-8.9%
10	NBP Mahana Amdani Fund	Income	1.70%	3,992	4,217	4,033	4,054	15.3%	12.4%	16.4%	2.9%	-1.1%
11	NBP Islamic Sarmaya Izafa Fund	Shariah Compliant Asset Allocation	0.75%	1,763	2,167	2,656	3,102	-7.4%	0.4%	-2.5%	-7.8%	-4.9%
12	NBP Riba Free Savings Fund	Shariah Compliant Income	0.70%	1,642	1,811	2,577	2,793	12.9%	12.3%	5.3%	0.6%	7.6%
13	NBP Islamic Savings Fund	Shariah Compliant Income	1.55%	3,643	3,216	2,056	1,845	13.0%	12.3%	5.3%	0.7%	7.7%
14	NBP Savings Fund	Income	1.37%	3,205	2,934	2,013	1,728	14.3%	12.4%	16.4%	1.9%	-2.1%
15	NBP Government Securities Liquid Fund	Money Market	0.58%	1,355	1,274	1,128	1,219	15.6%	15.4%	15.0%	0.2%	0.6%
16	NBP Balanced Fund	Balanced	0.30%	702	788	807	819	-7.5%	-7.9%	4.3%	0.4%	-11.8%
17	NBP Sarmaya Izafa Fund	Asset Allocation	0.24%	551	696	769	786	-8.6%	3.5%	1.2%	-12.1%	-9.8%
18	NBP Islamic Energy Fund	Shariah Compliant Equity	0.31%	729	660	645	717	4.0%	-12.1%	-4.9%	16.1%	8.9%
19	NBP Financial Sector Fund	Equity	0.12%	282	340	341	372	-17.6%	-13.2%	-3.8%	-4.4%	-13.8%
20	NBP Government Securities Savings Fund	Income	1.25%	2,939	139	134	138	14.4%	12.4%	16.3%	2.0%	-1.9%
21	NAFA Islamic Active Allocation Plan III	Shariah Compliant Fund of Funds	0.03%	67	98	99	101	-4.1%	-1.5%	-0.5%	-2.6%	-3.6%
22	NAFA Islamic Active Allocation Plan IV	Shariah Compliant Fund of Funds	0.01%	14	14	124	122	-5.0%	-1.5%	-0.4%	-3.5%	-4.6%
23	NBP Islamic Capital Preservation Plan VI (Launch date : June 2022)	Shariah Compliant Fund of Funds - CPPI	0.02%	41	135	151	181	5.6%	4.3%	3.2%	1.3%	2.4%
24	NAFA Islamic Capital Preservation Plan I	Shariah Compliant Fund of Funds - CPPI	0.02%	43	75	76	80	4.5%	4.3%	2.6%	0.2%	1.9%
25	NBP Islamic Regular Income Fund	Shariah Compliant Asset Allocation	0.00%			1	123				0.0%	0.0%
26	NAFA Islamic Active Allocation Plan V	Shariah Compliant Fund of Funds	0.02%	42	44	51	53	-4.8%	-1.5%	-0.3%	-3.3%	-4.5%
27	NAFA Islamic Capital Preservation Plan III	Shariah Compliant Fund of Funds - CPPI	0.01%	32	39	41	43	3.7%	4.3%	2.7%	-0.6%	1.0%
28	NAFA Islamic Active Allocation Plan VIII	Shariah Compliant Fund of Funds	0.01%	17	36	39	41	-5.2%	-1.5%	-0.2%	-3.7%	-5.0%
29	NAFA Islamic Capital Preservation Plan II	Shariah Compliant Fund of Funds - CPPI	0.01%	23	29	32	39	3.3%	4.3%	2.6%	-1.0%	0.7%
30	NAFA Islamic Capital Preservation Plan IV	Shariah Compliant Fund of Funds - CPPI	0.00%	7	8	15	25	3.4%	4.3%	3.7%	-0.9%	-0.3%
31	NBP Islamic Capital Preservation Plan V	Shariah Compliant Fund of Funds - CPPI	0.01%	24	24	26	28	6.0%	4.3%	3.9%	1.7%	2.1%
32	NAFA Islamic Active Allocation Plan VII	Shariah Compliant Fund of Funds	0.01%	22	22	23	23	-5.3%	-1.5%	-0.4%	-3.8%	-4.9%
33	NAFA Islamic Active Allocation Plan II	Shariah Compliant Fund of Funds	0.01%	16	16	16	16	-3.4%	-1.5%	-0.6%	-1.9%	-2.8%
34	NAFA Islamic Active Allocation Plan I	Shariah Compliant Fund of Funds	0.01%	14	15	15	17	-3.3%	-1.5%	-0.5%	-1.8%	-2.8%
35	NAFA Islamic Active Allocation Plan VI	Shariah Compliant Fund of Funds	0.00%	9	10	12	12	-5.1%	-1.5%	-0.9%	-3.6%	-4.2%
36	NBP Cash Plan I (Launch date: Jan'23)	Money Market	2.37%	5,559				16.9%	13.9%	17.8%	3.0%	-0.9%
37	NBP Cash Plan II (Launch date: Jan'23)	Money Market	2.03%	4,747				15.9%	13.9%	17.8%	2.0%	-1.9%
38	NBP Fixed Term Munafa Plan I (Launch date: Mar'23)	Fixed Return/Rate	4.23%	9,924				17.9%	0.5%	21.0%	17.4%	-3.1%
39	NBP Islamic Fixed Term Munafa Plan II	Shariah Compliant Fixed Rate/Return									0.0%	0.0%
40	NBP Islamic Active Allocation Equity Fund	Shariah Compliant Equity	0.02%	53	52	53	52	-12.6%	-12.1%	-4.9%	-0.5%	-7.7%
41	NBP Government Securities Plan II (Launch date: Feb'23)	Income Fund	2.60%	6,096				18.0%	12.4%	20.9%	5.6%	-2.9%
42	NBP Government Securities Plan III (Launch date: Mar'23)	Income Fund	1.97%	4,616				26.9%	12.4%	21.4%	14.5%	5.5%
43	NBP Income Plan I (Launch date: Mar'23)	Income Fund	0.61%	1,425				17.5%	12.4%	19.4%	5.1%	-1.9%
44	NBP Pakistan Growth Exchange Traded Fund	ETF	0.02%	53	52	53	52	-4.3%	-10.2%	-2.7%	5.9%	-1.6%
45	NBP Fixed Term Munafa Plan III (Launch date: Nov'22)	Fixed Return/Rate	0.85%	1,991	1,966			5.1%	0.4%	15.7%	4.8%	-10.6%
46	NBP Pension Fund - All	VPF	3.28%	7,696	7,552	7,416	7,205				-	-
<b>Sum/Average:</b>			100.0%	234,366	213,435	197,045	177,283					

### Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	<b>Very high quality.</b> Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	<b>High quality.</b> Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	<b>Good quality.</b> Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	<b>Adequate quality.</b> Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	<b>Weak.</b> Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p><b>Rating Watch</b> Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p>	<p><b>Suspension</b> It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p><b>Withdrawn</b> A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p>	<p><b>Harmonization</b> A change in rating due to revision in applicable methodology or underlying scale.</p>
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**Surveillance.** Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

### **2) Conflict of Interest**

i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)

ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)

iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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(7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).

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(9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)

(10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)

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(12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity

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(16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)

(17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

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(18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 18-(a)

(19) PACRA reviews all the outstanding ratings on semi-annual basis or as and when required by any creditor or upon the occurrence of such an event which requires to do so; | Chapter III | 18-(b)

(20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 18-(c)

(21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 18-(d)

### **Probability of Default**

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e, probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past | Chapter III | 14-(F-VII)

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