



The Pakistan Credit Rating Agency Limited

Rating Report

NBP Fund Management Limited

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Rating History

Table with 6 columns: Dissemination Date, Long Term Rating, Short Term Rating, Outlook, Action, Rating Watch. Rows show historical ratings from 2018 to 2024, all with AM1 Long Term Rating and Stable Outlook.

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.

On the period ended 9MFY24, the AMC remained profitable with PKR 589m (SPLY: PKR ~252m) on the back of 1.3 times increase in share of profit from associates. The equity base of the Company reported at PKR 1,894m at the end of 9MFY24 (FY23: PKR ~1,305m).

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

Table with 2 columns: Field Name, Value. Fields include Name of Rated Entity (NBP Fund Management Limited), Type of Relationship (Solicited), Purpose of the Rating (Asset Manager Rating), Applicable Criteria, Related Research, and Rating Analysts (Madiha Sohail).



Profile

Structure NBP is the largest shareholder followed by Baltoro Growth Fund. Association with NBP provides strength with a network of 1,508 branches including 19 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 Currently, the market share of the Company stood at 12.8% at the end Mar'24 (FY23: 14.7%). 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-five funds in twelve different conventional and Shariah Compliant categories and two voluntary pension schemes and one Exchange Traded Fund. Investor Concentration and several investment advisory mandates SMAs.

Investor Concentration At the AMC level, the top 10 investor concentration stood at ~21% at the end of Mar'24 (Mar'23: 29%) and the average related party holding represents ~9% 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% and individuals holds 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 3.6bln at end Mar'24, 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 A. F. Ferguson & Co.

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 ~4 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 NBP Fund has an in-house Internal Audit Department (IAD), headed by Mr. Syed Waheed Ul 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 The Investor Services Department handles investor communications and queries. The Fund offers an online portal, mobile app, 1-Link, M-Net ATM services, and a call center for complaints. An Online Portfolio Information System is available 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 The company's distribution network covers retail and corporate segments, with retail managed by the CEO. NBP Fund's sales team has about 385 employees. Centralized Client Relationship Management monitors 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 elevated to PKR 588.9mln at the period ended 9MFY24 (SPLY: PKR 251.6mln) . The Company has very strong capitalization with equity standing at PKR 1.9bln at 9MFY24 (FY23: PKR 1.3bln).

Fund's Performance | NBP Fund Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUM Size (PKR 'min')				Return Rolling 12 Months Mar'24			Rolling 12 Months	
				Mar'24	Dec'23	Sep-23	Jun-23	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark
				1	NBP Financial Sector Income Fund	Income	16.38%	49,985	26,538	28,945	25,216	23.0%
2	NBP Money Market Fund	Money Market	18.74%	57,196	54,218	59,470	57,504	22.1%	16.4%	21.0%	5.7%	1.1%
3	NBP Stock Fund	Equity	5.43%	16,564	15,432	10,538	10,166	68.3%	39.2%	69.1%	29.1%	-0.8%
4	NBP Islamic Daily Dividend Fund	Shariah Compliant Money Market	8.79%	26,818	29,015	22,428	19,814	21.5%	18.7%	9.2%	2.8%	12.3%
5	NBP Islamic Mahana Amdani Fund	Shariah Compliant Income	4.48%	13,662	12,525	9,289	8,616	20.7%	18.0%	9.0%	2.7%	11.7%
6	NBP Islamic Income Fund*	Shariah Compliant Income	2.35%	7,179	7,193	4,500	5,158	20.6%	18.0%	9.0%	2.6%	11.6%
7	NBP Income Opportunity Fund	Income	1.46%	4,461	4,658	4,898	4,995	20.7%	16.7%	22.1%	4.0%	-1.4%
8	NBP Islamic Money Market Fund	Shariah Compliant Money Market	5.62%	17,140	14,019	18,262	14,646	21.2%	18.7%	9.2%	2.5%	12.0%
9	NBP Islamic Stock Fund	Shariah Compliant Equity	0.82%	2,497	2,570	1,780	2,118	58.8%	53.3%	62.1%	5.5%	-3.3%
10	NBP Mahana Amdani Fund	Income	2.79%	8,505	7,352	6,230	4,355	22.7%	16.7%	22.1%	6.0%	0.6%
11	NBP Islamic Sarmaya Izafa Fund	Shariah Compliant Asset Allocation	0.39%	1,195	1,201	1,116	1,284	54.9%	32.9%	49.3%	22.0%	5.6%
12	NBP Riba Free Savings Fund	Shariah Compliant Income	0.51%	1,556	1,465	1,442	1,591	19.8%	18.0%	9.0%	1.8%	10.8%
13	NBP Islamic Savings Fund	Shariah Compliant Income	3.29%	10,037	4,285	4,220	3,690	19.5%	18.0%	9.0%	1.5%	10.5%
14	NBP Savings Fund	Income	1.40%	4,258	4,173	3,734	3,321	21.4%	16.7%	22.1%	4.7%	-0.7%
15	NBP Government Securities Liquid Fund	Money Market	2.23%	6,805	4,282	1,732	1,961	22.4%	16.4%	21.0%	6.0%	1.4%
16	NBP Balanced Fund	Balanced	0.29%	892	860	703	666	42.1%	47.6%	49.9%	-5.5%	-7.8%
17	NBP Sarmaya Izafa Fund	Asset Allocation	0.18%	561	538	440	490	55.9%	34.6%	56.4%	21.3%	-0.5%
18	NBP Islamic Energy Fund	Shariah Compliant Equity	0.23%	715	809	721	641	67.4%	53.3%	62.1%	14.1%	5.3%
19	NBP Financial Sector Fund	Equity	0.06%	188	185	82	93	97.2%	39.2%	69.1%	58.0%	28.1%
20	NBP Government Securities Savings Fund	Income	1.66%	5,081	6,694	8,883	5,427	22.5%	16.7%	21.9%	5.8%	0.6%
21	NBP Cash Plan I	Money Market	1.67%	5,104	4,128	7,248	5,123	22.1%	16.4%	21.0%	5.7%	1.1%
22	NBP Cash Plan II	Money Market	4.54%	13,852	11,088	8,294	6,261	22.2%	16.4%	21.0%	5.8%	1.2%
23	NBP Fixed Term Munafa Plan I (Launch date: Mar'23)	Fixed Return/Rate	-	-	-	-	5,418	-	-	-	-	-
24	NBP Fixed Term Munafa Plan II (Launch date: May'23)	Fixed Return/Rate	-	-	-	-	6,871	-	-	-	-	-
25	NBP Islamic Fixed Term Munafa Plan II (Launch date: Apr'23)	Shariah Compliant Fixed Rate/Return	0.24%	741	713	720	692	21.1%	0.9%	6.6%	20.2%	14.5%
26	NBP Islamic Fixed Term Munafa Plan I (Launch Date: May'23)	Shariah Compliant Fixed Rate/Return	-	-	-	-	392	-	-	-	-	-
27	NBP Islamic Fixed Term Munafa Plan V (Launch Date: Jan'24)	Shariah Compliant Fixed Rate/Return	0.20%	603	-	-	-	9.7%	-	11.1%	9.7%	-1.4%
28	NBP Government Securities Plan II	Income Fund	0.17%	520	2,625	5,648	6,119	23.6%	16.7%	21.9%	6.9%	1.7%
29	NBP Government Securities Plan III	Income Fund	-	-	-	-	1,650	-	-	-	-	-
30	NBP Income Plan I	Income Fund	1.29%	3,937	2,552	1,868	898	23.1%	16.7%	22.1%	6.4%	1.0%
31	NBP Government Securities Plan IV (Launch date: May'23)	Income Fund	1.46%	4,463	700	2,595	2,046	25.1%	16.7%	21.9%	8.4%	3.2%
32	NBP Government Securities Plan V (Launch date: May'23)	Income Fund	-	-	20,340	20,844	19,768	-	-	-	-	-
33	NBP Government Securities Plan VI (Launch date: Oct'23)	Income Fund	0.33%	1,012	975	-	-	20.6%	16.7%	21.1%	3.9%	-0.5%
34	NBP Islamic Government Securities Plan III (Launch date: Jan'24)	Income Fund	0.21%	627	-	-	-	20.2%	16.7%	19.4%	3.5%	0.8%
35	NBP Fixed Term Munafa Plan III	Fixed Return/Rate	-	-	-	2,168	2,055	-	-	-	-	-
36	NBP Fixed Term Munafa Plan IV (Launch date: Oct'23)	Fixed Return/Rate	1.87%	5,718	5,481	-	-	19.6%	4.6%	21.0%	15.0%	-1.4%
37	NBP Fixed Term Munafa Plan V (Launch date: Nov'23)	Fixed Return/Rate	0.84%	2,562	2,466	-	-	17.4%	4.6%	20.9%	12.8%	-3.5%
38	NBP Fixed Term Munafa Plan VI (Launch date: Dec'23)	Fixed Return/Rate	1.83%	5,581	5,362	-	-	17.2%	4.6%	20.8%	12.6%	-3.6%
39	NBP Fixed Term Munafa Plan VII (Launch date: Dec'23)	Fixed Return/Rate	0.96%	2,934	2,833	-	-	16.7%	4.6%	20.7%	12.1%	-4.0%
40	NBP Fixed Term Munafa Plan VIII (Launch date: Mar'24)	Fixed Return/Rate	0.33%	1,002	-	-	-	30.8%	4.6%	17.2%	26.2%	13.6%
41	NBP Fixed Term Munafa Plan IX (Launch date: Jan'24)	Fixed Return/Rate	2.36%	7,188	-	-	-	14.6%	4.6%	20.7%	10.0%	-6.1%
42	NBP Fixed Term Munafa Plan X (Launch date: Mar'24)	Fixed Return/Rate	0.84%	2,557	-	-	-	16.0%	4.6%	21.1%	11.4%	-5.1%
43	NBP Pakistan Growth Exchange Traded Fund	ETF	0.03%	80	74	58	54	58.4%	-	64.3%	-	-5.9%
45	NBP Pension Fund	VPF	3.74%	11,422	10,385	9,356	8,737	-	-	-	-	-
Sum/Average:			100.0%	305,198	267,734	219,267	237,836					

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

<p>Outlook (Stable, Positive, Negative, Developing) 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>Rating Watch 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>Suspension 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>Withdrawn 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>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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- 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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- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(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 | 17-(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 | 17-(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 | 14-3(f)(vii)

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