



The Pakistan Credit Rating Agency Limited

## Rating Report

### National Investment Trust Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
24-May-2022	AM1	-	Stable	Maintain	-
24-May-2021	AM1	-	Stable	Upgrade	-
05-Nov-2020	AM2++	-	Positive	Maintain	-
05-Nov-2019	AM2++	-	Stable	Maintain	-
06-May-2019	AM2++	-	Stable	Maintain	-
05-Nov-2018	AM2++	-	Stable	Maintain	-
08-Dec-2017	AM2++	-	Stable	Maintain	-
25-May-2017	AM2++	-	Stable	Upgrade	-
18-Aug-2016	AM2+	-	Positive	Maintain	-
08-Jun-2016	AM2+	-	Stable	Harmonize	-

#### Rating Rationale and Key Rating Drivers

National Investment Trust Limited ("NITL" or the "Company") is one of the prominent and oldest AMC which reaps the benefit of being the first AMC in Pakistan. The rating incorporates fund slate diversification, Structured decision making process and experienced management team. The rating also takes comfort from Strong Control Environment and Satisfactory Governance Framework. Strong equity base and financial profile of the Company bodes well to the rating. The Compliance, Risk Management and Internal Audit functions are segregated in line with the best practices to strengthen the control environment. The AUMs of the Company has slightly declined by~3% to ~PKR 96bln at end-Dec'21 (Jun'21: PKR 99bln) majorly due to decline in Fund size of NITL Equity Fund as the market gave negative returns during the period ending on Dec'21. NITL Equity Fund carries~80% weight of the total Fund size of the Company. However, lately in Mar'22, the Company has managed to recover its AUMs and reported AUMs at PKR~100.57bln at the end Mar'22. The market share in terms of CIS of the Company has been declined to 8.3% (Jun'21:8.6%) given the volatility in the stock market. The fund's performance remained satisfactory with majority of the funds performing better and beating the benchmarks as at Dec'21. The growth momentum is expected with management focusing on strengthening its digital presence and outreach which would ultimately results in better retail penetration and distribution & customer services. Meanwhile, a materialization of digital initiatives would remain imperative. NITL's top ten investors owned 32%, NIUT comprises of majority of the Company's investors base, 68% of investors are concentrated in NIUT. NITL is also focusing to capture market share under IAs and has recently entered into arrangements with prominent entities to provide investment advisory services under SMA. The AMC has also expanded its Funds family by launching Pakistan First Social Impact Fund on 16th May'22, it's an open end Micro Finance Sector Income Fund Scheme that shall channelize funds of impact investors to leverage on the strengths of rated asset pool of Micro Finance sector. The overall funds performance remained satisfactory where majority of the funds outperformed the industry averages and benchmark. NITL remained profitable in 3QFY22 and posted highest profits in industry and has the largest equity base at end-Dec'21. NITL's capitalization and fee generation capabilities provides cushion against market volatility.

The rating is dependent upon the Company's ability to sustain its market share and upholding strong investment processes and control environment. Meanwhile, consistent performance of funds compared to benchmark and peers is critical. Any sustained downturn in fund performance and/or significant loss in market share may impact the rating.

#### Disclosure

<b>Name of Rated Entity</b>	National Investment Trust Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Asset Manager Rating(Jun-21),Criteria   Rating Modifiers(Jun-21)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-21)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** National Investment Trust Limited (NITL or “The Company”) is an unlisted public limited company.

**Background** National Investment Trust Limited is the first asset management company of Pakistan. It was established in 1962 and National Investment Unit Trust, Pakistan’s first open-end equity fund was launched in the same year by the Company.

**Market Share** The market share of the Company stood at 8.3% at end-Dec’21 (Dec’20: 8.6%).

**Diversification Of Fund Mix** The Company is currently managing a fund slate of 14 open-ended funds (including two non-public funds namely NIT-SEF and NITEMOF) under seven different categories and two voluntary pension schemes. NIT- State Enterprise Fund and NIT-Equity Market Opportunity Fund are not offered to the general public and primarily comprises of investments from the sponsors. Pakistan First Social Impact Fund has been launched on 16th May’22. it is an open-end Micro Finance Sector Income Fund Scheme that shall channelize funds of impact investors to leverage on the strengths of rated asset pool of Micro-Finance Sector.

**Investor Concentration** From AMC’s perspective, ~32% of the AUMs are owned by top ten investors.

## Ownership

**Ownership Structure** The Government of Pakistan directly and indirectly, through public sector entities, holds ~41.65% shareholding in the Company, whereas the private sector institutions and individuals hold the remaining ~58.35% of shares.

**Business Acumen** Given the sponsorship of the Government of Pakistan, the business acumen of the Company is considered strong as the Government has the outreach to appoint qualified experts

**Financial Strength** The sponsors have the ability and willingness to support the Company on a continuing basis and in times of crisis.

## Governance

**Board Structure** The Company’s board of directors currently comprises of eleven members out of which ten are non-executive. There is no representation of independent directors on the board.

**Members’ Profile** The board members on average carry a diversified experience of ~35 years in different areas, especially in banking and investment management. The board members possess strong profiles and skills suited to the financial services industry.

**Board Effectiveness** To ensure an effective control environment and compliance with reporting standards, the Company has constituted an Audit Committee, HR and Remuneration Committee, and Risk Management Committee at the board level.

**Transparency** The Company has an in-house internal audit department for effective monitoring of control systems. The head of internal audit directly reports to the audit committee. The external auditors of the Company are EY Ford Rhodes. They have a satisfactory QCR rating and are classified in the ‘A’ category of the SBP Panel of Auditors.

## Management

**Organizational Structure** The Company has a well-defined organizational structure and operates through ten departments with clear segregation of responsibilities.

**Management Team** The management team comprises experienced professionals carrying requisite experience and skill set. Mr. Adnan Afridi was appointed as the Managing Director of the company in Feb’19. He possesses over two decades of experience and has led a distinguished career in financial services and capital markets. Mr. Manzoor Ahmed is the COO and has a successful track record of managing the operations and investment portfolio of the Company.

**Technology Infrastructure** The Company’s technology environment makes use of a robust IT infrastructure based on Asset Connect Application, procured from Softech Systems. The software comprises modules for efficient execution of the core functions of the business and providing digitalization services for customer through Web portal and Mobile Application. It supports decision-making and control environment through the generation of various reports on a periodical basis.

**Control Environment** The Internal Audit function is overseen by the Head of Internal Audit, Mr. Asim Rafiq, who reports administratively to the managing director and functionally to the audit committee of the board of directors. The Internal audit department conducts regular audits and the scope of the internal audit includes identification and assessment of overall risks and evaluation of internal control framework

## Investment Risk Management

**Credit Risk** The Company has internal assessment modules in place for monitoring credit risk with a focus on qualitative and quantitative analysis. The Company conducts incisive credit analysis for counterparties at the time of initiation of the relationship.

**Liquidity Profile** The risk management department vigilantly monitors the liquidity profile and presents quarterly reports to the board members. The primary focus is to assess prevailing industry risk dynamics, historical redemption trends, analysis on the liquidity of stocks and comprehensive analysis of interest rates followed by VAR analysis pertaining to the investment portfolio

**Market Risk** The risk department has developed in-house risk measures to monitor and mitigate market risk. The department uses various techniques to manage the market risk which includes standard deviation, sorting and information ratios, modified duration, and PVBP. Any significant deviations are highlighted to the investment committee for necessary action

## Portfolio Management

**IC Composition** The investment decision-making process is well-structured with the MD providing critical support. The members of the investment committee also include the COO, Head of Finance, Head of Fixed Income, Head of Equities and Trading, Head of Research, Head of Compliance, Risk Manager, and Fund Managers.

**Effectiveness** The investment committee reviews the investment strategy of each fund under management and its performance regularly to incorporate the impact of various factors on funds’ performance. The induction of an independent research head further enhances the effectiveness.

**Investment Research And Analysis** The research department, which falls under the purview of the COO, is headed by Mr. Ali Kamal. He possesses years of diversified experience in equity research. Currently, his team comprises four qualified research analysts.

## Customer Relationship

**Investor Services** The Company has a dedicated investor services section, which addresses customers’ queries and complaints on a timely basis. Client Reporting System enables investors to retrieve their investment profile through a web page. The Company is also progressing on digital initiatives to strengthen its market penetration.

**Investor Reporting** The Company publishes fund manager reports on its website on monthly basis which contain information pertaining to fund returns, benchmark comparison, MoM trend in asset allocation, and the breakup of asset quality

**Distribution And Sales Network** The Company has 27 branches in different major cities across Pakistan. The long operational history of the Company, along with its association with the Government of Pakistan and leading financial institutions, has been instrumental in establishing a strong footprint among domestic retail and corporate investors.

## Performance

**Asset Under Management** The AUMs of NITL slightly declined by ~3% to stand at PKR 96bln at end Dec’21 (Jun’21: PKR 99bln). The decrease in AUMs was primarily due to volatility in stock market performance during CY21. Subsequently, in Mar’22 the Company has managed to regain its AUMs base through major sales in NIT Money Market Fund (Conventional and Islamic). The fund performance remained satisfactory.

**Asset Manager** During 6MFY22, the Company earned management fee of PKR 570mln (SPLY: 526mln). However, reported a net loss of PKR 211mln (SPLY: Profit PKR~1,684mln) which is mainly attributable to unrealized loss on re-measurement of investment in listed securities and own funds of PKR~771mln (SPLY: Profit PKR~1,221mln). The total equity of the Company is reported at PKR 11bln as at Dec’21.

## National Investments Trust Limited-Fund's Performance Summary



The Pakistan Credit Rating Agency Limited

Fund's Performance   National Investment Trust Limited													
Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)			Return   (%) Dec'21					Top Ten Investors Concentration	Stability Rating (Dec'21)
				Dec'21	Jun'21	Dec'20	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.		
1	National Investment Unit Trust	Equity	61.3%	59,505	64,860	61,386	2.2%	5.4%	1.9%	-3.2%	0.3%	39%	-
2	NIT Asset Allocation Fund	Asset Allocation	0.6%	610	668	642	-0.3%	5.9%	4.9%	-6.2%	-5.2%	88%	-
3	NIT - Government Bond Fund	Income	3.1%	3,030	3,417	3,656	7.3%	7.8%	8.0%	-0.5%	-0.7%	82%	AA
4	NIT - Income Fund	Income	3.9%	3,792	3,672	3,766	8.7%	7.8%	8.2%	1.0%	0.6%	83%	AA-
5	NIT Islamic Equity Fund	Shariah Compliant Equity	3.0%	2,954	3,380	3,347	-9.8%	5.4%	-6.4%	-15.2%	-3.4%	58%	-
6	NIT Islamic Income Fund	Shariah Compliant Income	0.9%	907	818	812	7.7%	5.9%	3.2%	1.8%	4.6%	46%	AA-
7	NIT Islamic Money Market Fund*	Shariah Compliant Money Market	2.1%	2,023	-	-	7.7%	3.1%	3.2%	4.6%	4.5%	90%	-
8	NIT Money Market Fund (Formerly: NIT Government Treasury Fund)	Money Market	14.7%	14,251	12,304	10,708	8.0%	7.9%	7.1%	0.0%	0.9%	66%	AAA
9	NIT Equity Market Opportunity Fund	Equity	-	7,410	8,374	7,763	-	-	-	-	-	100%	-
10	NIT State Enterprise Fund	Equity	-	1,336	1,541	1,589	-	-	-	-	-	100%	-
11	NIT Pakistan Gateway Exchange Traded Fund	ETF	-	52	53	55	-	-	-	-	-		-
12	Voluntary Pension Schemes	VPS	-	882	896	858	-	-	-	-	-	97%	-
<b>Sum/Average:</b>			<b>89.7%</b>	<b>96,759</b>	<b>99,982</b>	<b>94,582</b>							

\*Fund launched on 21 September 2021

**Asset Manager Rating**

An independent opinion on the quality and expertise deployed by an asset management company

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 respective opinion.</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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(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)

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- (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)
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(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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