



The Pakistan Credit Rating Agency Limited

## Rating Report

### JS Investments Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Dec-2023	AM2+	-	Stable	Maintain	-
27-Dec-2022	AM2+	-	Stable	Upgrade	-
06-Aug-2022	AM2	-	Positive	Maintain	-
09-Aug-2021	AM2	-	Stable	Maintain	-
01-Sep-2020	AM2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

The rating incorporates JS Investments Limited's ("JSIL" or the "Company") sound governance framework, an experienced management team, an adequate investment decision-making process, and a satisfactory control infrastructure. The research and investment functions of the company are considered adequate. To expand its market penetration the company launched 2 new funds; JS Islamic Premium Fund and JS Money Market Fund in Islamic Income and Money Market Categories respectively. The assigned rating also incorporates adequate retail clientele, market penetration, and satisfactory Fund performance. Since Sep'22 the growth momentum of the AMC has depicted an increase of 42.6% and stood at 51bln at the end of Sep'23. While the market share remained at 2.9% at the end of Sep'23. The AUM mix of the AMC depicts an adequate mix of equity and income/money market categories i.e. 7% and 93% respectively. While the top 10 investor concentration stood at 64% at the end of Sep'23. During the period under review, the AUMs of the income/money market category under top quartile and mean quartile representing 20% and 80% respectively. While, the equity category falls under the top quartile with a 4-star ranking. Sustaining the fund performance across all categories along with maintenance of credit quality metrics will remain important for rating, going forward.

On the financial side, the management fee of JSIL has reported PKR 171mln for 9MCY23 (9MCY22: PKR 121.3mln). The equity stood at PKR 1.48bln at end-Sep'23, which is well above the minimum capital requirement of PKR 230mln. On the digital side, JS Bank's App "Zindagi" has also supported the Company in engraving its footprints in digitalization. Furthermore, the Company is in a digital onboarding process for new clients. The rating incorporates the Company's association with JS Bank Limited and potential synergies due to the established presence of JS Group in the financial sector.

The rating is dependent on the management's ability to effectively execute business development plans and leverage its digital initiatives to strengthen its operations and outreach. Sustaining above-average fund performance, increasing market share, and further strengthening the investment process remain key rating factors

#### Disclosure

<b>Name of Rated Entity</b>	JS Investments Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-23),Assessment Framework   Asset Manager Rating(Jun-23)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-23)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



## Profile

**Structure** JS Investments Limited (“JSIL” or the “Company”) is a public listed company incorporated in 1995. JSIL is licensed to carry out asset management, investment advisory, private equity, venture capital and REIT management services

**Background** JSIL is founded by IFC and INVESCO Plc, providing a wide range of mutual funds and pension funds both in Conventional and Shariah Compliant Category along with SMA services to HNW individuals and corporate clients.

**Market Share** The industry comprised AUMs of PKR 1,815,869 mln at end Sep’23 and JSIL had AUMs of PKR 51,071mln - 2.9% of total market share (FY22: 2.2%).

**Diversification Of Fund Mix** JSIL is currently managing a diverse product slate of thirteen funds in eleven different Conventional and Shariah Compliant Categories, three voluntary pension schemes, one Exchange Traded Fund, and one dedicated equity fund. In Jan’22 JS Momentum factor exchange-traded fund was launched and in Jun’22 JS Microfinance Sector Fund was introduced. The Company launched the first closed-end Rental Non-PPP REIT Fund "JS REIT Fund" during Jun’22 with fund size at PKR 5bln.

**Investor Concentration** Average top 10 investor concentration at fund level remains high and stood at 62% at end-Jun’22 with average related party holding of 12.1%

## Ownership

**Ownership Structure** JSIL is a subsidiary of JS Bank Limited with ~85% stake, while remaining shares are held by financial institutions and general public.

**Business Acumen** JS Bank Limited is a subsidiary (~75%) of Jahangir Siddiqui & Co. Limited (JSCL). The business acumen of the bank is considered strong. JSCL is the holding company for JS Group. JS Group is engaged in a diverse set of activities with its focus on the financial sector, including asset management, securities, and commodities brokerage, commercial banking, and insurance. Besides its concentration in the financial sector.

**Financial Strength** JS Bank Limited has an unconsolidated asset base of PKR 592bln at end-Sep’23 accompanied by the equity of PKR 36.9bln. The long-term credit rating of JS Bank is ‘AA-’ and the short-term rating is ‘A1+’

## Governance

**Board Structure** JSIL’s control vests in a seven-member board of directors including the CEO. There are two independent directors while all other directors except the CEO are non-executives.

**Members’ Profile** The board carries diversified experience (23 Years on average) in different business 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, JSIL has constituted an Audit Committee, an HR Committee and Executive Risk Management Committee at the board level

**Transparency** JSIL has outsourced its internal audit department to M/S BDO Ebrahim & Co. for effective monitoring of control systems. The external auditors of the The company is M/S KPMG Taseer Hadi & Co. They have a satisfactory QCR rating and are classified in the ‘A’ category of the SBP Panel of Auditors.

## Management

**Organizational Structure** JSIL has a well-defined organizational structure based on eight departments, i) HR and Administration, ii) Compliance and Risk Management, iii) Business Development, iv) Investments and Research, v) Information Technology, vi) Finance, vii) Internal Audit and viii) Operations

**Management Team** The management team of JSIL comprises experienced and qualified professionals. Ms. Iffat Zehra Mankani is the CEO of JSIL since April 2021. She is a veteran of the financial industry with over 20 years of experience in capital markets. Syed Hussain Haider (MBA, CFA Charterholder & CSC) replaced Mr. Zahid Ullah Khan as the new Chief Investment Officer.

**Technology Infrastructure** JSIL has implemented a Unit Management System (web-based application) and ERP Application (portfolio accounting system) by Softech Systems Private Limited. The IT department has formulated an IT Steering Committee which comprises four members to make timely decisions on IT issues. The Company is focusing on strengthening its technological platform to enhance its outreach and improve customer services.

**Control Environment** The compliance and risk management department is being led by Mr. Malik Zafar Javaid. The department ensures compliance with all applicable statutory regulations and internal investment guidelines. Segregation of these functions, in line with best practices, along with minimizing overlap in others is important to strengthen the control environment. The Company is working to fortify its KYC/AML practices.

## Investment Risk Management

**Credit Risk** The Risk Management Department measures the credit risk of the entire portfolio as well as of individual transactions. Excel-based credit risk scorecards are being used to provide statistical estimates for counterparty credit risk

**Liquidity Profile** The department ensures sufficient liquidity by investing in liquid avenues. Internally designed methods are used to classify stocks into liquid/semi-liquid/IL-liquid categories. Further, it is also ensured that minimum cash and cash equivalent requirements are maintained at all times to fulfill payment obligations.

**Market Risk** For managing market risk, various techniques such as VaR analysis, beta analysis, and stress testing are being used. The exposure limits applicable to interest-bearing securities are regularly reviewed and reported to the management.

## Portfolio Management

**IC Composition** The investment decision-making process is well-structured with the CEO providing critical support. The members of the investment committee also include the CIO, Director of Finance, 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 the funds’ performance. The induction of an independent research head has further enhanced effectiveness.

**Investment Research And Analysis** The research department, which falls under the purview of the CIO, is headed by Mr. Aijaz Ali. He possesses years of experience in equity research. Currently, his team comprises two qualified research analysts and a database manager.

## Customer Relationship

**Investor Services** JSIL has an established investor services platform for investor education and facilitation. The customers are provided SMS and e-mail alerts for transactions, NAV prices, other promotional alerts, and monthly detailed E-statements. The company’s mobile app provides various value-added services such as live news and financial market updates, equity market indices, investment account details, and E-transactions.

**Investor Reporting** JSIL disseminates monthly unitholder statements, including monthly NAVs, benchmark return comparisons, and asset allocations. JSIL publishes FMRs on its website promptly.

**Distribution And Sales Network** Currently, JS Bank - the parent company, is the only alternate distribution partner of JS Investments Limited by providing a separate desk in each bank branch for the investment company. JSIL is expanding outreach by using digital platforms of JS Bank like the "Zindagi APP" with a greater focus on enhancing the retail clientele.

## Performance

**Asset Under Management** The AUMs at end-Sep’23 amounted to PKR 51,071mln with a market share of 2.9% (an increase of 18.5% since Dec’22). The management is working on various initiatives and overall fund performance remained satisfactory, where Money Market and Shariah Compliant Income comfortably exceeded the benchmarks.

**Asset Manager** The Company reported Profit of PKR 813mln in Sep’23 (CY21: PKR -300mln). The equity stood at PKR 36.9bln at end-Sep’23, which is well above the minimum capital requirement of PKR 230mln.

**Fund's Performance | JS Investments Limited**

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)						Return   Rolling 12 Months (Nov'22-Oct'23)				
				Oct-23	Sep-23	Aug-23	Jun-23	Dec-22	Jun-22	Return	Bch. Mark	Industry Average	Fund vs. Bmark	Fund vs. Ind. Avg.
1	JS Cash Fund	Money Market	50.5%	27,533	22,050	23,872	15,772	18,579	17,683	20.2%	21.4%	19.9%	-1.3%	0.2%
2	JS Microfinance Sector Fund	Income	7.8%	4,244	5,829	11,802	7,570	8,610	2,178	22.5%	20.8%	19.2%	1.7%	3.3%
3	JS Islamic Daily Dividend Fund	Shariah Compliant Money Market	5.5%	3,022	3,030	3,434	3,082	3,957	30	19.4%	7.6%	19.0%	11.8%	0.4%
4	JS Government Securities Fund	Income	14.4%	7,839	7,615	5,009	2,416	3,998	-	18.4%	22.6%	19.2%	-4.2%	-0.8%
5	JS Growth Fund	Equity	3.6%	1,979	156	1,584	1,433	1,489	1,976	22.7%	33.0%	21.9%	-10.4%	0.7%
6	JS Income Fund	Income	4.2%	2,289	832	945	942	1,037	1,250	18.1%	20.8%	19.2%	-2.7%	-1.1%
7	Unit Trust of Pakistan	Balanced	1.9%	1,031	967	952	914	936	937	21.2%	27.4%	23.2%	-6.2%	-2.0%
8	JS Money Market Fund	Money Market	9.0%	4,912	7,056	2,227	2,040	-	-	22.0%	22.6%	19.9%	-0.6%	2.1%
9	JS Islamic Income Fund	Shariah Compliant Income	1.4%	741	744	938	725	2,550	1,535	18.7%	7.4%	18.7%	11.3%	0.0%
10	JS Fund of Funds	Fund of Funds	0.6%	326	304	301	361	345	102	26.1%	26.9%	21.4%	-0.9%	4.7%
11	JS Large Cap Fund	Equity	0.6%	315	291	285	273	299	324	23.9%	33.0%	21.9%	-9.1%	2.0%
12	JS Islamic Fund	Shariah Compliant Equity	0.4%	234	212	208	184	218	336	19.7%	27.3%	22.4%	-7.6%	-2.7%
13	JS Islamic Hybrid Fund of Funds (JS Islamic Capital Preservation Allocation Plan VIII)	Shariah Compliant Fund of Funds - CPPI	0.1%	36	36	140	138	189	250	17.0%	9.8%	17.5%	7.3%	-0.5%
14	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VI)	Shariah Compliant Fund of Funds - CPPI	0.0%	-	-	-	87	91	93				0.0%	0.0%
15	JS Islamic Hybrid Fund of Funds III (JS Islamic Capital Preservation Allocation Plan VII)	Shariah Compliant Fund of Funds - CPPI	0.0%	-	-	50	50	64	84				0.0%	0.0%
16	JS Islamic Hybrid Fund of Funds (Mutasasib)	Shariah Compliant Fund of Funds	0.0%	2	2	2	2	2		-2.1%	4.7%	17.5%	-6.8%	-19.7%
17	ETF	ETF	0.1%	69	47	44	80	7	8	38.9%	36.3%			
18	VPS	VPS	0.0%		98			702	803					
Sum/Average:			100%	54,572	43,072	51,793	36,068	43,072	27,597					

### 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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- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
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- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (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).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (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)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

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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
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (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 | 17-(a)
- (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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