



The Pakistan Credit Rating Agency Limited

## Rating Report

### Pak Qatar Asset Management Company Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
11-Oct-2023	AM2	-	Stable	Initial	-

#### Rating Rationale and Key Rating Drivers

Pak Qatar Asset Management Limited ("PQAMCL" or the "AMC") is part of Pak Qatar Group which is the pioneer and the largest Takaful Group. The prominent business acumen of the sponsor bodes well for the rating. In Sep'21, the AMC has initiated its operation in the investment advisory sector as well as asset management sector. The Company ingeniously identified market niche while enabling potential investors to maximize return on investments. PQAMC stands apart amongst the peers with a unique product suite complemented by a versatile Shairah structure. As of end of Sep'23 the asset under management of the Company stood at PKR ~15.7bln and at the end of Jun PKR ~11.1bln (Dec'22: PKR 5.3bln) with a current market share of ~1%. This represents the strengthening position of the AMC amongst the peer group. The Company has launched four open-ended funds as part of its diversified product portfolio among these offerings, the Pak Qatar Islamic Income Fund holds a prominent position within the Shariah-compliant income category, currently representing ~48.45% of the total weightage in the company's investment offerings. Additionally, the Pak Qatar Islamic Cash Fund, comprising three distinct plans. Meanwhile, the third fund in the portfolio, the Pak Qatar Islamic Stock Fund, operates within the Islamic Equity category. The Company had recently introduced Asset Allocation Fund under plan structure and is working on launch of additional plans that falls under the category of Shariah Asset Allocation. Since the launch of the Funds in Oct'22, the Fund performance of the AMC remained above the industry average. The AMC is also managing a Separately Managed Account (SMA) discretionary portfolio having a market share of ~5% (as of end Jun'23) in the advisory domain with a total industry size of ~477bln. On the marketing side, the AMC has been focusing on retail penetration through the PQFTL distribution channel which has more than 100 branches in major cities across Pakistan. The AMC is further in process to establish its distribution channels with leading commercial banks which will continue to support the growth in the retail segment.

On the financial side, the AMC experienced positive growth during the period under review. During FY23, the Company's topline significantly increased to PKR 105mln (FY22: PKR 44mln). Moreover, the net profit during FY23 increased by ~61.6% to PKR 47mln (FY23: PKR 31mln). The Company's equity stood at PKR 522mln at the end Sep'23, comfortably exceeding the regulatory requirement.

The rating is dependent upon the Company's ability to sustain its market share and uphold strong investment processes. A sustained upward trend in fund performance along with consistent increase in market share will continue to have visible affirmation in the rating.

#### Disclosure

<b>Name of Rated Entity</b>	Pak Qatar Asset Management Company 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-23),Methodology   Rating Modifiers(Apr-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** Pak Qatar Asset Management Company Limited ("PQAMCL" or the "AMC") was incorporated on Sep, 2021 as a public unlisted company.

**Background** Pak Qatar Asset Management is part of PAK Qatar Group. The Group comprises of Pak-Qatar Family Takaful Limited (PQFTL), Pak-Qatar General Takaful Limited (PQGTL), Pak-Qatar Investment Limited (PQIL) and Sharq Trading & Merchandising Limited. The Group has been operating in Pakistan since 2007 and has a rich and diverse experience of over 15 years in providing protection and investment solutions through Takaful.

**Market Share** The market share of the AMC stood at ~1% at the end Sep'23.

**Diversification Of Fund Mix** The AMC's diversified fund slate includes four open-ended funds. Except Pak Qatar Islamic Stock Fund, Pak Qatar Islamic Cash Fund, Pak Qatar Islamic Income Fund and Pak Qatar Islamic Asset Allocation Fund have been launched under plans structures to facilitate differentiated clientele.

**Investor Concentration** As of the end Jun'23, the average top ten investors concentration stood at ~96% while related party holdings was ~80% of total assets under management of the AMC. Key element that mitigates concentration and related party exposure is the underlying maturity profile of constituting participants which granularize overall risk.

## Ownership

**Ownership Structure** The major shareholder of AMC is the holding company Pak Qatar Investment (PVT) LTD which holds 52% of the stake and the remaining shareholders include FWU AG (20%), and Pak Qatar Family Takaful (5%). Mr. Owais Ansari and Mr. Kamran Saleem also hold 14% and 7% respectively.

**Business Acumen** The Sponsors of the AMC are celebrated businessmen with many profitable ventures in their portfolio whose success is a testimony of the excellent business acumen of sponsors and their ability to form and execute business strategies.

**Financial Strength** Sponsors of the AMC enjoys impenetrable financial strength, having all the financial muscles and intentions to support the AMC in situation of distress which is evident through its ownership.

## Governance

**Board Structure** The Company's board of directors comprise five non-executive directors, one of them is also independent director.

**Members' Profile** The board members have strong educational backgrounds and carry extensive diversified experience. Mr. Gul is one of the key sponsors and the founding director of Pak-Qatar Group. Mr. M. Kamran Saleem has been associated with the Group since its formation in 2006 and has been instrumental in shaping the Group. Mr. M. Owais Ansari is the Deputy Chairman of FWU AG. Mr. Syed Asad is the board member of K-Electric Limited whereas, Mrs. Sameera Said is also the director of PQFTL & PQGTL.

**Board Effectiveness** To ensure its effectiveness, the board has formulated the audit, HR and remuneration committees and Risk Management committees.

**Transparency** The external auditors of the AMC are Yousaf Adil & Co. which has satisfactory QCR rating from the ICAP. The auditors of the Company are classified in the 'A' category of the State Bank of Pakistan panel of Auditors.

## Management

**Organizational Structure** The organizational structure aligns with the operations of the AMC. The AMC operates through twelve main departments which fall under the purview of the CEO.

**Management Team** The AMC's management team consists of qualified and experienced professionals. The CEO, Mr. M. Farhan Shaukat is qualified FCA, PGD in Islamic Finance and have more than 23 years of experience.

**Technology Infrastructure** The AMC had outsourced its back-office functions such as unit management, settlement and fund accounting to IT Minds Limited and has an in-house system as well

**Control Environment** Internal Audit plan, approved by Audit Committee encompasses the review of internal control system which includes policies/procedures, physical safeguards and monitoring of compliance function pertaining to NBFC regulations. The compliance and risk functions are segregated and are overseen by dedicated resources.

## Investment Risk Management

**Credit Risk** Internal assessment modules are used with a combination of qualitative and quantitative analysis. Excel based credit risk scorecards are in place which provide statistical estimates for counter party credit risk. The fund managers ensure the credit portfolio of the fund exposed to credit risk is broadly diversified.

**Liquidity Profile** The risk management department vigilantly monitors the liquidity profile of funds under management. Sufficient liquidity is maintained by investing a significant portion of funds' assets in liquid investment avenues.

**Market Risk** For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits are clearly communicated to portfolio managers along with periodic review of appropriateness of limit structure.

## Portfolio Management

**IC Composition** The investment committee comprises CEO, CIO, Head of Investment Advisory, and the Head of Research. Mr. Meraj Uddin Mazhar is the Chief Investment Officer. He has extensive experience of twelve years overall and with the AMC experience of 1.5 year managing Equity, Fixed Income, discretionary, and non-discretionary portfolios.

**Effectiveness** The IC comprises of qualified and experienced professionals to review the investment strategy of each fund and its performance to incorporate impact of market circumstances on funds' performance. The IC for equity and fixed income is performed independently on monthly basis.

**Investment Research And Analysis** The research is made under three levels 1) Econometric 2) Sector and 3) Entity. While different research models are used for sectors and entities. The department uses various techniques including the fundamental analysis of key sectors and stocks to identify attractive investment avenues. For equity valuation, standard financial models are used and broker researches are also considered.

## Customer Relationship

**Investor Services** The Investor Services Department provides investor education, personalized solutions, and client reporting. Retail customer outreach is expected to be enhanced by allowing investments in AMC's mutual funds through the CDC. The AMC is also in the process of launching then Mobile App to facilitate the retail customers.

**Investor Reporting** In addition to publishing fund manager reports on monthly basis, the AMC also disseminates unit holder statement every month through email which comprises net asset value and month end closing values.

**Distribution And Sales Network** The AMC would be utilizing the 100% branch network of the PAK Qatar Family Takaful which has more than 100 branches in major cities across Pakistan. The AMC has segregated the Marketing & Distribution function in two segments, where retail segment will be managed through the distribution channel of Pak Qatar Family Takaful Ltd. (PQFTL), and corporate segment will be directly looked after by the AMC through corporate sales team.

## Performance

**Asset Under Management** The AUMs stood at PKR ~15.7bln as at Sep 30, 2023 and at the end of Jun PKR ~11.1bln (Dec'22: PKR 5.3bln). The AMC is also managing a Separately Managed Account (SMA) discretionary portfolio having a market share of ~5% (as of end Jun'23) in the advisory domain with a total industry size of ~477bln. Since the launch of the Funds in Oct'22, the Fund performance of the AMC remained above the industry average.

**Asset Manager** The Company earned a net profit after tax of ~PKR 47mln during FY23 (FY22: ~PKR 31mln). PQAMC earned Topline ~PKR 105mln. Operating profit at end-Jun'23 stood at ~PKR 71mln (Jun'22: PKR 43mln). The equity of the Company stood at ~PKR 522mln at end-Sep'23 (Jun'22: ~PKR 330mln).

Fund's Performance | Pak Qatar Asset Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mln)				Return   YTD (Oct'22 to Jun'23)				12 Months		Top Ten Investors Concentration	Venus Stability Ranking (Jun'23)	Ranking & Stability Rating (Jun'23)
				Jun-23	Mar-23	Dec-22	Nov-22	Oct-22	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Benchmark			
1	Pak Qatar Income Plan	Shariah Compliant Income	42.6%	4,764	2,839	1,756	1,578	653	17.3%	11.8%	6.1%	5.5%	11.2%	100%	3-Star	A+
2	Pak Qatar Cash Plan	Shariah Compliant Money Market	25.6%	2,866	1,359	1,374	850	1,247	17.1%	11.0%	6.2%	6.1%	10.8%	99%	3-Star	AA
3	Pak Qatar Daily Dividend Fund	Shariah Compliant Money Market	19.3%	2,158	1,050	1,113	560	554	17.6%	11.0%	6.2%	6.6%	11.4%	98%	4-Star	AA
4	Pak Qatar Islamic Stock Fund	Shariah Compliant Equity	4.8%	542	531	446	362	205	0.4%	-1.2%	2.3%	1.6%	-1.9%	-	3-Star	3-Star
5	Pak Qatar Khalis Bachat Plan	Shariah Compliant Income	2.8%	313	267	256	253	101	15.8%	11.8%	6.1%	4.0%	9.7%	98%	3-Star	A
6	Pak Qatar Monthly Income Plan	Shariah Compliant Income	3.1%	344	255	245	242	101	17.0%	11.8%	6.1%	5.2%	10.9%	100%	3-Star	A+
7	Pak Qatar Asan Munafa Plan	Shariah Compliant Money Market	1.8%	204	152	162	156	152	15.9%	11.0%	6.2%	4.9%	9.7%	99%	3-Star	AA
Sum/Average:			13%	11,191	6,453	5,353	4,002	3,013				0.0%	0.0%			

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

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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).

(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)

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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)

(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)

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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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