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Analysts

Shahzaib Khalid
shahzaib.khalid@pacra.com

Muhammad Usman
muhammad.usman@pacra.com

+92-42-35869504
www.pacra.com

Applicable Criteria

- Methodology | Fund Stability Rating (Jun 17)

Related Research

- Sector Study | Mutual Funds (May 18)

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PACRA Maintains Stability Rating of Faysal MTS Fund (FMTSF)

Rating Type	Stability Rating	
	Current (20-Jun-2018)	Previous (12-Jul-2017)
Action	Maintain	Maintain
Long Term	A+(f)	A+(f)
Short Term		-
Outlook	Stable	Stable
Rating Watch	-	-

The objective of Faysal MTS Fund is to provide competitive returns primarily through investment in the MTS market.

The fund's mandate is to predominantly invest in Margin Trading System (MTS). MTS is a leveraged product offered by NCCPL. MTS is an undisclosed counterparty market for lenders and borrowers. This is only available for eligible securities also notified by NCCPL. All MTS transactions are entered at financing participation ratio of "15%" for the borrower and "85%" for the lender. Borrowers are required to pay mark-to-market losses to NCCPL on daily basis in cash. Each MTS contract cannot exceed 60 calendar days and on every fortnight, MTS will automatically reduce 1/4th of the contract value. The rating of Faysal MTS Fund reflects comfort drawn on the elaborated and secure system of NCCPL. At end-Dec'17, fund's 66% net assets were invested in MTS transactions, which due to its self-liquidating nature possess less risk over the short tenure. The remaining assets of the fund were invested as cash 23% with banks rated 'AA-' and Government securities 10%. The unit holding pattern of the fund is highly concentrated towards top 10 investors representing 53% of the fund's assets.

The fund intends to keep a minimum of 70% in MTS on the quarterly average basis. The rest of the amount would be invested in T-Bills and bank placements, of which the rating may not be lower than 'A+'. PACRA would monitor continued compliance with the relevant guidelines.

About the Entity

Faysal Asset Management Limited (FAML) was incorporated in 2003 as an unlisted public limited company under company's ordinance, 1984. The major shareholder of FAML is Islamic Investment Company of the Gulf (Bahamas) Ltd (50% stake), followed by Faysal Bank Limited (30% stake). Mr. Razi Ur Rahman Khan, a director of FAML, holds the remaining 20% stake in FAML. Presently, the company is managing a diversified portfolio of nine open-end funds, with combined AUMs of PKR 8.2 billion at end-Dec'17

The CEO, Mr. Razi-ur-Rahman Khan has extensive experience in banking, mutual funds management, equity brokerage and private equity investment.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.