

# Dawn Interview

**DAWN: What are the greatest challenges being faced by the Asset Management Companies on the whole?**

**CEO:** The greatest challenge faced by the Asset Management Companies today is the lack of awareness about the Mutual Fund products by general public. In the past, the public has been exposed to the culture of saving schemes and banking products for the most part. The private asset management companies have a short history of less than a decade in Pakistan. These companies are working diligently to develop a distribution network along with media campaigns to educate the average individual regarding the equity and fixed income products. The investor confidence will strengthen with new asset classes giving them a broad based investment opportunity through asset management companies. Transparency and strong convincing regulation are of paramount importance in the generation of public confidence. Today, media plays an important role in educating the people about Mutual funds

Competent and professional team players with the right skills play an important role in building the blocks of a company. Management companies having professional Managers to facilitate expertise, technical skills, enhance their training budgets and adhere to the highest standards of corporate governance. This can be attained if the financial system meets the divergent needs of all segments of the economy by providing a wide array of financial services based on the Use of globally competitive technology, highly skilled human resources and harnessing good corporate governance practices.

**DAWN: When we compare Pakistani Asset Management Companies to other Countries Especially India, Where do we stand?**

**CEO:** If we look at a developed mutual fund market, we can see that the investment in the mutual fund industry is higher as compared to their bank deposit base, which shows the potential of growth of this industry in Pakistan. Globally mutual fund markets have matured in the developed countries. In the United States of America there are over 14,000 mutual funds totaling an approximate investment of over 9 trillion dollars. In Europe there are even more mutual funds available totaling over 29000 funds. The size of funds in European market is over 5.5 trillion dollars. In Asia over 1.8 trillion is managed in over 11,000 mutual funds. In Africa this number is only 52 billion dollars totaling over 550 funds. Pakistani mutual fund market size has yet to reach the Rs. 200 billion mark. This represents approximately less than 5% of the bank deposit base in the country. In India over 18% of bank deposits are invested in their mutual fund industry. In the United States this number is well over 120% of bank deposits.

**DAWN: How important is continuous innovation in market regarding Asset Management Companies?**

**CEO:** In Pakistan, where investment options and products are limited, innovation is very important to stay ahead of the healthy competition. To meet the challenge of globalization, market maturity and customer power, we need to combine the very best approaches with innovative products in new asset classes. REITs and VPS along with other asset classes will give better viable investment options to investors to benefit from these asset classes with proper diversification. Faysal Asset Management has always believed in proper asset allocation model based funds. These funds have pre-described strategies for the investors to benefit. We have been innovative in our approach through an optimum equity portfolio based fund with a 70% equity and 30% fixed income model. We were the first asset management company in Pakistan to launch an open-ended Hybrid Fixed Income fund for the risk-averse investors seeking higher than average yield.

**DAWN: What is the real potential of MF for mainstream investment in Pakistan?**

**CEO:** This is a textbook evolution process and Pakistan is at present passing through this evolutionary phase of maturity. A consistent year-on-year GDP growth during the last 7 years has resulted in the expansion of SME sector and broadening of Middle Class segment of the society. A business friendly regulatory framework and conducive work environment has contributed towards surplus wealth generation at the middle class level. Since the presently available investment options (largely bank deposits) do not provide an inflation hedged return, we have witnessed a mushroom growth of Asset Management Companies, offering Mutual Funds designed to beat inflation & provide long-term returns. The "Fund Management" concept is over 30 years old in Pakistan with NIT being the first public sector asset management company catering to a diverse clientele of both corporate sector and individual but has never felt the need of product development. However the introduction of Private Sector Asset Management Companies has brought in a paradigm shift in the investment options for the savers who now have a spectrum of products to choose from, include but not limited to bank deposits and mutual funds. The mutual funds industry in Pakistan is still in its infancy stage and investment options are limited to only equity, fixed income and money market Funds. With the maturity in the industry, and by the passage of time, the investor may have the options to diversify investments into real estate, commodities and other options.

**DAWN: Tell us about your funds?**

**CEO:** Faysal Asset Management Limited (FAML) launched its first open-ended fund, Faysal Balanced Growth Fund (FBGF) in April 2004. FBGF has a balanced asset allocation model and approach highlighting diversity and steady growth for the investors. FBGF has a return of approximately 20% since inception. This indicates approximately 20% annualized return in its first two years of operations. This denotes an outstanding performance even upon comparison with balanced equity funds internationally.

FAML successfully launched its second open-ended fund, Faysal Income & Growth Fund, (FIGF) in October 2005. As its predecessor it was also highly structured. FIGF is established to meet the investment objectives of corporate and institutional investors who are seeking a high level of yield while maintaining security of principal as a prime objective. The fund has a 90% fixed income portfolio with a provision of 10% equity to provide investors with an enhanced yield.

Today, Faysal Income & Growth Fund (FIGF) is the best performing hybrid income fund in Pakistan. The fund had an annualized yield of 12.88% as of March 31, 2007. The fund has been outperforming the competition and its benchmark, which clearly represents the fund's proactive investment strategy. On the risk side, the fund's assets under management are largely invested in short-term fixed income instruments; therefore the risk profile is extremely low. JCR-VIS, rating agency, has assigned an "A+" fund stability rating to FIGF, which clearly indicates the low risk nature of the fund and its portfolio management approach.

**DAWN: You are adding a new fund to your Fund's family soon; please can you provide us with details of the fund?**

**CEO:** Our new fund Faysal Savings Growth Fund is purely a money market fund that would cater to the excess-liquidity needs of the corporate clients as well as the long-term savings growth needs of individual clients. It is a No-Load fund providing investors maximum tax-free benefits and an opportunity to earn better than average bank deposit return. We have designed a class within the fund for the needs of individuals seeking an income stream i.e., monthly, quarterly, semiannually and annually. This provides investors an opportunity to grow their savings at a higher than inflation rate with preservation of capital and flexibility of income stream.

FAML is currently working on structuring new & innovative products within various asset classes to address the investment needs of individual and corporate customers.