



Rating Action

Lahore : 26-Feb-2014

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PACRA MAINTAINS STABILITY RATING OF JS ISLAMIC GOVERNMENT SECURITIES FUND

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of JS Islamic Government Securities Fund (JS IGSF), an open-end income fund, at "AA-(f)" (Double A Minus ; fund rating). The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

The investment mandate of the fund is to generate stable return for its unit holders while ensuring capital preservation by primarily investing in Shariah compliant government securities.

The rating reflects the fund's low risk profile which emanates from its investment philosophy of maintaining a minimum exposure of 70% in Shariah compliant government securities (Ijarah Sukuks). The remaining assets of the portfolio are deposited with Islamic Commercial Banks and DFIs carrying a minimum rating of "A". At end Dec-13, the fund has primarily invested in Govt. Ijara Sukuks (71%), with the rest kept as cash with high rated banks. The fund's exposure towards interest rate is low with portfolio duration of 56 days at end-Dec13. The unit holding pattern of the fund is highly concentrated with top10 investors representing 90% of the net assets which exposes the fund to redemption pressure.

Going forward, the fund intends to maintain exposure to government securities (70%) and cash balances (30%). Material changes in the fund's asset allocation strategy, which could negatively impact the fund's credit quality and exposure to interest rate risk, remains critical for the rating.

About the Management Company:

Incorporated in 1995, JS Investments Limited (JSIL), is a major player in the domestic asset management industry. It is a subsidiary of JS Bank Limited (JSBL) - 52% shareholding. With assets of PKR88 bln at end-Sep13, JS Bank is rated 'A+' by PACRA. Currently, JSIL is managing eleven open-end funds and two pension schemes with cumulative assets under management of PKR 12,703 million (at end-Dec13).

Subsequent to the appointment of Dr. Ali Akhtar Ali as the Chief Operating Officer in January 2014, Mr. Asim Ilyas (Head of Fixed Income at JSIL) has been appointed as the Fund Manager. Mr. Ilyas carries over 14 years experience in treasury and fixed income portfolio management.

Applicable Criteria and Related Research

- Fund Stability Rating Methodology

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