



Rating Action

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PACRA Maintains Stability Rating of KASB Islamic Income Opportunity Fund

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of KASB Islamic Income Opportunity Fund (KIIOF) (Formerly; KASB Islamic Income Fund) at **'BBB(f)' (Triple B – Fund Rating)**, an open-end Shariah compliant income fund. The fund's rating denotes an adequate capacity to manage relative stability in returns and high exposure to risks.

The fund primarily invests in Shariah compliant money market and debt securities and aims to provide a regular stream of income to its unit holders. The rating reflects fund's modest credit quality, adequate sectoral diversification, and low liquidity profile. Currently a major portion of fund's assets are invested in corporates sukuk bonds (56%) with the remaining amount mainly placed with Islamic banks in investment grade and GoP Ijara Sukuk. The fund has around 16% of non-performing Sukuks in its net assets at end-Jan11. This would impact stability and quantum of return, incase restructuring efforts for the non-performing instruments do not materialize in a timely manner. The unit holding pattern is fairly concentrated with top two investors (KASB Bank & Dawood Islamic Bank) holding around 80% of fund's units. However, comfort can be drawn from large investments by the sponsors in this fund.

Going forward, the fund plans to increase its exposure in corporate sukuks to 65%, in line with its historic asset allocation, while remaining funds will be invested in daily cash balances with Islamic banks. The main risk factors affecting the stability of returns emanate from provisioning against non-performing instruments and price risk due to largely illiquid market for corporate bonds. At the same time, the fund may be vulnerable to redemptions keeping in view highly concentrated unit holding pattern.

About the Management Company: KASB Funds Limited (KFL) is the management company for KIIF and has been rated 'AM3+' by JCR-VIS. The main sponsors of KFL are KASB Group and BlackRock Inc. KFL is currently managing six open-end mutual funds with aggregate AUM of around PKR 2.5bln at end-Jan11.

The management team of KFL consists of experienced and qualified personnel. The acting CEO, Mr. Muhammad Imran Khalil, an associate member of ICAP, carries diverse experience of over seven years in asset management industry.

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