



Rating Action

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PACRA MAINTAINS STABILITY RATING OF MCB DYNAMIC CASH FUND

The Pakistan Credit Rating Agency (PACRA) has maintained the stability rating of MCB Dynamic Cash Fund (DCF) at ‘A+(f)’ (**Single A Plus - Fund Rating**), an open-end income fund. The fund’s rating denotes a strong capacity to manage relative stability in returns and low exposure to risks.

The fund primarily invests in debt securities, money market, and makes placements with scheduled banks; the objective is to provide a consistent stream of income with reasonable concern for safety of principal. The rating reflects good credit quality of fund’s assets, mainly consisting of TFCs, TDRs and government securities. The liquidity profile of the fund is good due to sizable assets in the form of T-bills and placements with banks. The fund’s TFC portfolio which constitutes around one third of the total assets witnessed instances of non-performance, which may impact quantum and stability of returns. However, the recent restructuring development coupled with significant provisioning for some large exposures bodes well for the fund. The remaining portfolio is dominated by Govt. Securities and placements with banks having high credit quality. Nevertheless, the unit holding pattern is fairly concentrated with top ten investors holding more than half of fund’s units at end-Dec10.

Going forward, the fund plans to restrict its TFC portfolio to good credit quality instruments, while half of the assets would remain invested in GoP Securities. The main risk factor affecting the stability of returns may emanate from volatility in prices of TFCs amidst largely illiquid market for this segment. Meanwhile, any major deviations from proposed investment policy, significant change in credit quality of the assets, and sharp decline in size will be critical for fund’s rating.

About the Management Company: MCB Asset Management Company Limited (MCB AMC), a wholly owned subsidiary of MCB Bank Limited (MCB) rated AA+ by PACRA, commenced operations in Feb06. MCB is the fourth largest bank in Pakistan in terms of asset size. Nishat Group, the major shareholder in MCB, is one of the distinguished business groups in Pakistan.

MCB AMC is the management company for DCF. PACRA has lately assigned “Positive Outlook” to the asset manager rating of “AM2-“of MCB AMC. The AMC is currently managing five open-end funds with aggregate AUM of around PKR 16.7bln as at end-Jan11.

The management team of MCB AMC consists of well qualified and experienced personnel. Mr. Yasir Qadri, the CEO MCB AMC, has extensive experience in the asset management industry. The Fund Manager of DCF, Mr. Kashif Rafi, MBA, has broad experience in managing fixed income portfolios.

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