



## Rating Action

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## PACRA UPGRADES STABILITY RATING OF PAKISTAN INCOME ENHANCEMENT FUND

The Pakistan Credit Rating Agency (PACRA) has upgraded the stability rating of Pakistan Income Enhancement Fund (PIEF) to “**AA-(f)**” (**Double A Minus-fund rating**) [Previous rating: ‘A+ (f)’ (Single A Plus - fund rating)], an open-end aggressive income fund. The fund’s rating denotes a very strong capacity to manage relative stability in returns and possesses a very low exposure to risks.

The fund primarily invests in investment grade money market instruments and debt securities with the objective of providing high regular income to its unit holders. The rating reflects fund’s good credit quality, diversified sectoral concentration and low sensitivity to interest rate movements. The liquidity profile of the fund is good due to sizeable assets in the form of T-Bills and placements with banks. Despite its mandate of earning high return, the fund, to date, has remained conservative in building TFC portfolio which constituted around one-third of total assets at end-Nov10. There has been no occurrence of non-performance in fund’s TFC portfolio. However, the unit holding pattern is fairly dispersed with top10 investors holding more than 30% of fund’s units.

Going forward the fund plans to invest 65% of its total assets in risk-free securities to manage the credit risk linked with uncertain economic conditions. However the intended low-risk asset profile may lead to some compromise on the fund: objective of providing high income. The main risk factor affecting the stability of returns emanates from volatility in prices of TFCs amidst largely illiquid market for this segment; however, most of the TFCs are of good credit quality and are actively traded in the market. The duration of the fund is around 100 days, while weighted average portfolio maturity is close to 1.65 years.

**About the Management Company:** Arif Habib Investments Limited (AHI) is the management company for PIEF and is rated “AM2” with a Positive outlook by PACRA. Arif Habib Corporation (formerly Arif Habib Securities Ltd.) – the holding company for Arif Habib Group - holds majority stake (60%) in AHI. The group is engaged in financial advisory, brokerage, cement and fertilizer industries.

AHI is one of the leading players in the asset management industry of Pakistan with assets under management of above PKR 14.8bln as at end Nov10. The company currently has 11 (eleven) open-end funds under management and also offers two pension schemes. Mr. Nasim Beg, FCA, the founding Chief Executive, has more than 40 years diversified experience. He has been instrumental in development of mutual fund industry in Pakistan. The fund manager of PIEF, Mr. Zafar Rehman heads the fixed income division and has vast experience in managing fixed income portfolios.

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