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Applicable Criteria

- Methodology | Fund Stability Rating (Jun 17)

Related Research

- Sector Study | Mutual Funds (Oct 16)

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PACRA Maintains Stability Rating of Lakson Income Fund

Rating Type	Stability Rating	
	Current (12-Jul-2017)	Previous (09-Dec-2016)
Action	Maintain	Maintain
Long Term	A+(f)	A+(f)
Short Term	-	-
Outlook	Stable	Stable
Rating Watch	-	-

The fund's mandate is to earn a reasonable rate of return by investing in a diversified portfolio of government securities and low risk short term debt investments.

The rating reflects fund's strong credit quality and robust liquidity profile. At end-May 17, fund's exposure with Government securities was 2% whereas placements with banks were 20% and cash balances were 57%. The majority of the exposure was with banks rated 'AA-' (i.e. 54%), while exposure with 'A' rated banks was 27%. The remaining assets (9%) were invested in TFCs / sukuks with rating 'A-' & above. The unit holding pattern of the fund shows redemption risk, as top 10 investors concentration of the fund is 84% at end-May17.

Going forward, the fund intends to maintain its investments in government securities (PIBs & T-bills) and increase exposure to good quality debt instruments. Material changes in the fund's asset allocation strategy; including change in TFCs mix towards low rated instruments, which could negatively impact the fund's credit, remains critical for the rating.

About the Entity

Incorporated in January 2009, Lakson Investments (LI) is the investment management arm of Lakson Group, wholly owned through Siza Services (Private) Limited. Lakson Group has interests in multiple sectors including agri-business, consumer non-durables, fast food, information technology, insurance, media, paper & packaging, surgical instruments, and travel. The company is currently managing six open-end funds - covering Equity, Money Market, Income and Asset Allocation categories - with assets under management of PKR 16bln at end-May17. The company is currently managing 45 SMAs mandates amounting to ~ PKR 12bln.

The eight-member BoD comprises four independent directors and four executives of group companies. The Chairman of Lakson Group, Mr. Iqbal Ali Lakhani, is the Chairman of LI's board. The CEO, Mr. Babar Ali Lakhani, has vast investment management experience in local and foreign markets. Mr. Kashif Mustafa (COO), reports directly to the CEO, who is supported by ten departments consisting of Risk, Compliance, Investment, Research, Finance, Business Development, Marketing, IT, Operations and Admin.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity. PACRA's comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings. PACRA opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security's market price or suitability for a particular investor.