

An Interview of Dr. Amjad Waheed, CEO NAFA Funds has been published in the DAWN Newspaper Special Supplement - "Leading Asset Management Companies of Pakistan"

# NAFA Funds 'doing great'

**D**R. Amjad Waheed holds a Doctorate in Business Administration with a major in Investments and Finance from Southern Illinois University, USA, and is also a Chartered Financial Analyst (CFA). Dr. Amjad has been associated with NAFA since its inception in 2006. Prior to joining NAFA, Dr Amjad served as the Head of Equity Mutual Funds and Portfolios at Riyadh Bank, Saudi Arabia, for about five years where he managed around US\$7.5 billion invested in 22 mutual funds. Before that, Dr Amjad was Head of Asset Management at NIT, and Chief Operating Officer of FC ABN AMRO Equities for several years. Before moving back to Pakistan, Dr Amjad worked as Assistant Professor of Finance at Tennessee State University, USA, and published several articles in top journals of the world such as the Journal of Banking & Finance and Financial Management. Below are excerpts of a chat with Dr Amjad:

## Tell us something about the growth of NAFA Funds.

NAFA is almost 10 years old now. It started as a joint venture between NBP and Fullerton Fund Management Group, Singapore. We have grown well over the last nine years and now we are managing over Rs.55 billion worth of portfolios. NAFA is among the top rated asset management companies (AMCs) in the country. We have a diversified product slate that includes various categories of mutual funds, pension funds and advisory mandates. We have a core team sitting at head office and about 250 sales professionals stationed in 75 National Bank and NAFA branches throughout Pakistan marketing our funds.

## What are the greatest challenges for AMCs at large?

Imposition of WWF on mutual funds despite their status as trusts and pass through vehicles negatively impact the returns of our investors. Also, imposition of 16% FED, in addition to 15% sales tax is added burden for investors. These taxes are a major deterrent in the growth of the industry. We need to have a level playing field. We have been in talks with the Finance Ministry and the FBR to remove these anomalies. Also, mutual fund regulations have to be brought in line with international standards. Internationally, some sales/ marketing expenses, and expenses related to calculation of net asset value/ Unit Price are allowed to be charged to the funds. In Pakistan, these expenses are not allowed to be charged to the funds. As per my knowledge, there are only two countries in the world where such expenses are borne by the AMCs rather than the funds. This is a significant headwind in the growth of the industry. To make the mutual fund industry grow, our regulations have to be brought in line with international standards.

## How do you see the performance of Mutual Fund industry in Pakistan and where does NAFA stand?

The industry has evolved and grown in due course of time. For example, initially there were no categories of funds and so the differentiation between funds in terms of risks and expected returns was vague. However, following the 2008 crisis, the industry came out with different categories like stock funds, balanced funds, money market funds, and income funds, etc. Now risk management guidelines and risk disclosures are much better, and investors are aware about the risk/return characteristics of funds. With regard to the performance of our funds under management, Alhamdulillah, we have exceptional performance track record with most of our funds comprehensively out performing their respective benchmarks and peer group. For instance, during the last three year period ending January 2015, our flagship NAFA Stock Fund has delivered a cumulative return of 239% versus 190% by the stock market translating into an out performance of 49%. This out performance is net of management fee and all other expenses.



**Dr. Amjad Waheed, CFA**  
Chief Executive Officer  
NBP Fullerton Asset  
Management Limited

## How is the response so far from the market?

In a relatively short time of nine years, NAFA is presently managing 17 open-ended mutual funds, two Voluntary Pension Schemes, and several discretionary portfolios with aggregate assets under management of over Rs55 billion. In terms of asset size, we are among the top three AMCs in Pakistan. We are thankful to our investors for the trust they have shown in us.

## What effect does stock market instability have on your organisation?

We are managing several equity related funds that invest primarily in the stock market. The investment horizon of these funds is medium to

long term. Therefore, investors in these funds have the capacity and willingness to withstand the normal volatility in the stock market. As a fund manager we have the flexibility to reduce exposure in equities in the funds and portfolios that we manage for our investors. We closely monitor the capital market expectations and do our best to proactively rebalance the allocation of funds to protect them from the downside of the market.

## What are your strategies towards risk assessment and risk management?

We have a robust risk management framework that has two pillars: operational risk management and investment risk management. The operational risk management system is aimed at managing all the risks associated with the operational activities of the AMC, including settlement, sales and redemption activities, and IT system etc. The objective of investment risk management system is to employ different tools and techniques to identify, monitor, measure and mitigate the risks involved in the investment process. We have experienced and qualified professionals in our Risk Management team to undertake these responsibilities. We also have an in house built robust IT system for managing different operational and investment risks.

## What kinds of funds are available at NAFA Funds?

As mentioned earlier, we are presently managing open-ended mutual funds, pension funds and several investment advisory portfolios. Our product slate includes very low risk, low risk, medium risk and high risk funds that aim to cater the varying financial needs of investors both conventional and Shariah-compliant category. Investors have the option to choose the fund(s) according to their risk appetite, return expectations and time horizon preferences. It is pertinent to mention that all investments in Shariah-compliant funds are approved by our Shariah Advisor. Investors are required to fill risk profile questionnaire before making an investment to understand the suitability of the fund(s).

## Any message to the readers?

We advise that investors should align their return expectations with risk tolerance. Further, investors should focus on real (inflation adjusted) and risk adjusted returns while making their investment decisions.

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