



IIRA Initiated Fund Management Rating for Albaraka Portfoy

Manama, April 1, 2021 – Islamic International Rating Agency (IIRA) has assigned an initial Fund Management Rating of FM2+ to Albaraka Portfoy A.Ş. ('ABP' or 'the Company'). The rating reflects the company's sound investment capabilities and the strength of its operational platforms. The Company's Fund Management Capabilities are evaluated in terms of investment returns against pre-defined benchmarks or the peer group where relevant. Investment/asset selection criteria, asset valuation principles deployed, and fund risk management and monitoring procedures. In addition, the Corporate Governance framework instituted at the Company and the strength of other service providers are also assessed.

Albaraka Portfoy's sales performance in real estate projects was impacted negatively by the onset of the COVID-19 pandemic in early 2020. The 2019 performance of real estate funds was strong on the back of high asset revaluations. The Company has low risk, highly liquid real estate investments in good locations, and which are 100% complete. These comprise very well-known shopping malls and residential units and reflect a conservative investment strategy. Partly because of this, NAV growth of these assets remained below both real estate fund sector averages and Central Bank's housing price index in 2020, in the absence of significant value appreciation. In contrast, large-sized equity funds of the Company registered strong performance despite volatile economic conditions during the period, exceeding benchmarks as well as peer group performance. Approach to equity investments is also conservative with a long-term horizon in view. Stocks have been chosen from the participation index which only covers 1/3rd of the total Index.

The Company employs a collective decision-making methodology for investment decisions taken in weekly investment management committees by consensus, in order to mitigate bias. The company complied with necessary SPK regulations with no penalties in lieu of violation of any regulations.

Albaraka Portfoy provides all necessary regulatory documentation as public disclosures through its website. The Company is making endeavors to ensure improved documentation of deliberations for investment decision making, developing buy side research capabilities and enhancing disclosure regarding fund's performance and investment strategy.

The company benefits from having a strong sponsor on board being Albaraka Türk Participation Bank A.Ş. The Bank provides technological support as well as resources for internal control and implementation of practices relating to participation finance, as and when necessary.

For further information on this rating announcement, please contact us at iira@iirating.com