

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Report Date: February 4, 2014

	Latest	Previous
Rating	AM3	AM3
Outlook	Positive	Stable
Date	Jan 13, '14	Jan 8, '13

'AM3' (AM-Three) denotes 'Good Management Quality.'

About the Institution:

Primus Investment Management Limited has been established in 2011 with equity injection from Pak Brunei Investment Company Limited. The company has the license to undertake asset management and investment advisory services. The AMC currently has three funds under management.

Chairman: Mr. Khalid Aziz Mirza

CEO: Mr. Ahmed Ateeq

Rating Analyst:

Sobia Maqbool, CFA
 Mohammad Aarsal Ayub

Primus Investment Management Limited

Rating Rationale

Primus Investment Management Limited (PIML) is currently managing three funds; Primus Cash Fund (PCF), Primus Daily Reserve Fund (PDRF) and a multi-asset fund i.e. Strategic Multi Asset Fund (SMAF). The company had planned to launch 11 funds within the first 2 years of operations; as per management, delays in regulatory approvals have pushed the timeline for launch of funds ahead.

Total AUMs amounted to Rs. 9.2b at end-December 2013; with two of the funds being money market schemes and the third fund only recently launched, so far management's expertise has been tested on the money market side alone. Risk profile of both money market funds has been maintained largely in line with their constitutive documents; year-to-date returns of both funds compare favorably to most other funds in the peer group. Return of SMAF is second lowest in its peer group though 5 months may be a very short period to arrive at any conclusive decision regarding its performance. With time, and launch of new funds, the company's ability to manage multiple asset classes will be tested.

Over the last year, the company has hired resources at senior management level to undertake the planned expansion. With fresh team members having relevant prior experience, including in the equities market, the management infrastructure has strengthened. With 4 members of the senior management team members having joined the organization over the last year, stability of the team has yet to be tested. The company has a sound governance infrastructure in place. An active turnout in committee meetings and BoD meetings has been observed. The Board and its committees are currently chaired by the same member; these roles may be segregated in line with best practices. There are five management committees; the company may consider making the structure of management committees leaner; which will restrict flow of information to relevant personnel.

PIML continues to share certain functions with its parent, Pak-Brunei Investment Management Limited (PBICL). Shared services include Administration, Human Resources, Internal Audit, IT and Compliance. The resource sharing arrangement has allowed the company to maintain overheads under check while benefiting from the parent's expertise. As the scope of activities is expanding, research is proposed to be set-up in-house while the company will continue to benefit from the macro-economic research conducted by PBICL's staff, as also available in the public domain. Various tools are available to manage the risks faced by the funds under management; the use of such tools has enhanced with the launch of SMAF. Relative to last year, procedural framework at PIML has been strengthened; as identified by various reviewing bodies, policies/procedures for certain areas are in the process of being developed.

Market outreach remains fairly restricted with only 90 investors at end-June 2013 and 80% of AUMs contributed by related parties. Cognizant of this, the sales team is planned to be developed, with a resource to head the department identified and expected to join soon. Currently, funds feature high unit-holder concentration. The associated risk is mitigated by the liquidity profile of funds while given that the largest investor is the AMC's parent itself, unanticipated redemptions are considered unlikely.

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Rating Date	Medium to Long Term	Outlook	Short Term	Rating Action
<u>RATING TYPE: Fund Stability Management Quality</u>				
13-Jan-14	AM3	Positive		Maintained
08-Jan-13	AM3	Stable		Initial