

Report Date: December 4, 2014

	Latest	Previous
Rating	AM3	AM3
Outlook	Positive	Positive
Date	Nov 18, '14	Jan 13, '14

'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 (PBICL). The company is licensed to undertake asset management and investment advisory services. The AMC currently has five funds under management.

Chairman: Mr. Khalid Aziz Mirza

CEO: Mr. Ahmed Ateeq

Rating Analyst:

Talha Iqbal
Moiz Badshah

Primus Investment Management Limited

Rating Rationale

The assigned ratings reflect support of strong financially committed shareholders, formalized investment process and adequate operational platform. With five funds under management, Primus Investment Management Limited (PIML) has made progress in expanding its product offering with the launch of 3 new funds in FY14 and the conversion of Primus Cash Fund (PCF) to Primus Income Fund (PIF). However, despite three years of operations, investor base remains narrow (171 investors).

Assets under Management (AUMs), after witnessing a jump in 2013, have displayed a varying trend in 2014 and were lower at-end Aug'14 as compared to end-Dec'13 level. At end-June'14, PIML had AUMs of Rs. 7.63b (Dec13: Rs. 9.2b); 61% of which represented investment by PBICL. The two largest funds under management, PIF & Primus Daily Reserve Fund (PDRF), represent almost 96% of the total AUMs, as size of the new funds launched during FY14 is currently small. In order to develop access to retail investors and achieve growth in AUMs, business units function comprising marketing & investment services, retail and corporate sales and investment advisory functions, is in the process of being strengthened. In this regard, an experienced resource with relevant industry experience has been hired to head the function while 5 branches will be set up prior to Dec'14. Strengthening of sales team has also commenced with induction of 3 sales representatives per branch. Further expansion in sales team will be based on a cost recovery model. Impact of these changes on the investor profile of funds under management will be tracked by JCR-VIS.

A formalized investment process is in place with all key management personnel represented on the Investment Committee (IC) with decision making being consensus based. Best practices in this regard warrant risk and research to be voting members while head of administrative functions may not be represented on the IC. On the income/money market side, the company has been able to post strong performance, with returns of both PIF & PDRF featuring in the first quartile, relative to peers. Return of Strategic Multi Asset Fund (SMAF) has been the lowest in relation to peers while also comparing unfavorably to peers. Return of both the Islamic funds, (Islamic Equity & Money Market) are currently weak, though given the limited history, actual performance trends are expected to emerge over time. Risk profile of these funds is being managed in line with their respective mandates. JCR-VIS will continue to monitor the performance of all funds under management to gauge ability to manage multiple asset classes.

The company has placed adequate emphasis on documenting policies and procedures for each department. However, there is no policy for regularly updating these policies and this is done on a 'need' basis. Risk reports at varying frequencies are generated for active monitoring of credit, market & liquidity risks; operational risk is currently not part of the scope of risk department. During FY14, research and compliance function were formed as independent functions at PIML. Given that the research function is at a nascent stage, scope of coverage is currently limited which may not provide adequate assistance in identifying investment opportunities. With compliance and risk function being headed by the same resource, further strengthening in this area in terms of staffing may be considered.

Shared services with PBICL include Administration & Human Resource, Information Technology and Internal Audit. The AMC itself has a strong balance sheet. Operating income (excluding investment income) continues to be in excess of administrative expenses. However the gap has narrowed and core revenues may come under pressure unless the company is able to increase AUMs in line with targets.