

RATING REPORT

AWT Investments Limited

REPORT DATE:

January 21, 2019

RATING ANALYSTS:

Narendar Shankar Lal

narendar.shankar@jcrvis.com.pk

RATING DETAILS

Rating Category	Latest Rating	Previous Rating
MQ Rating	AM3+	AM3+
Rating Date	Jan 18, 2019	Dec 15, 2016
Rating Outlook	Stable	-
Rating Action	Reaffirmed	Rating Watch - Developing

COMPANY INFORMATION

Incorporated in 2011	External auditors: <u>AMC</u> – A.F. Fergusons & Co. Chartered Accountants <u>Funds</u> - KPMG Taseer Hadi & Co. Chartered Accountants EY Ford Rhodes. Chartered Accountants
Key Shareholders Army Welfare Trust – 100%	Chairman of the Board: Lt. Gen. Najib Ullah Khan Chief Executive Officer: Salman Haider Sheikh

APPLICABLE METHODOLOGY(IES)

Management Quality Rating (August 2018): <http://jcrvis.com.pk/docs/MQR-Mehtodology-201808.pdf>

AWT Investments Limited

OVERVIEW OF THE AMC	RATING RATIONALE
<p>AWT Investments Limited (formerly Primus Investment Management Limited) is a public unlisted company incorporated in August 2011. Head office of the company is situated in Rawalpindi.</p> <p>Profile of CEO Mr. Salman Haider has over 20 years of Investment Management experience including almost 10 years on Wall Street starting with Merrill Lynch in 1996 along with Janney and Wachovia-Wells Fargo. Mr. Haider holds Bachelors in Finance from Rutgers University USA, an MBA from University of London UK and an executive leadership graduate certification from Cornell University USA.</p>	<p>AWT Investments Limited (AWTIL) (formerly Primus Investment Management Limited) operates as a Non-Banking Finance Company (NBFC) with licenses to undertake “Investment Advisory” and “Asset Management Services”. In 2017, the Army Welfare Trust (AWT) acquired 100% stake of Primus Investment Management Limited (PIML) from Pak Brunei Investment Company Limited (PBICL).</p> <p>Rating Drivers:</p> <p>Sound Profile of sponsors</p> <p>AWTIL is a wholly owned subsidiary of Army Welfare Trust (AWT). The assigned rating takes into account sound profile of the existing sponsor, AWT, which has more than 4 decades of experience in the financial services sector, operating companies under the “Askari” brand in banking, insurance, leasing, financial services and asset management industries. Sponsor has demonstrated commitment by expressing intention to inject Rs. 100m equity in the company to ensure compliance with the Minimum Equity Requirement (MER) for Asset Management and Investment Advisory Companies.</p> <p>Corporate Governance and control framework is considered adequate</p> <p>In line with best practices, two independent directors and one female director is present on the Board. Furthermore, two committees are also present at Board level in order to ensure effective oversight, with Board Audit Committee (BAC) being chaired by an independent director. Since the acquisition, a seasoned professional team has been inducted at key management positions in the organization. Management has appointed head of Research on temporary basis and plans to full-fledged resource for this position. Presently, no separate resource has been appointed for managing Assets under Management (AUMs) of Separately Managed Accounts (SMA). Given the sizeable growth in AUMs of SMAs, management may consider hiring a separate resource for managing the same and ensure segregation of Investment Committee (IC) of SMAs to avoid any conflict of interest.</p> <p>Considerable decrease in Assets Under Management (AUMs) of funds post acquisition; however, the company has initiated advisory services for high net-worth clients in FY19 and sizeable growth has been witnessed in the same</p> <p>Post-acquisition of PIML by AWT, the AUMs witnessed a sizeable decrease due to significant redemptions by the previous sponsor. AUMs have continued to depict a decreasing trend. At end-Oct 2018, total AUMs of AWTIL amounted to Rs. 1.7b (FY18: Rs. 2.2b; FY17: Rs. 1.7b), thereby representing a market share of 0.25% (FY18: 0.36%; FY17: 0.27%) in the overall industry. At end-Oct’18, Islamic AUMs represented 10% (FY18: 10%; FY17: 16%) of gross AUMs while conventional funds contributed 90% (FY18: 90%; FY17: 84%). Number of clients witnessed an increase to 1,181 (FY17: 889) at end-FY18. Retail clients accounted for 20.0% (FY17: 17.0%) at end-FY18. In order to augment retail base, management is focusing on armed forces personnel and their families. The company initiated advisory services for high net-worth clients in July 2018. Sizeable growth has been observed in SMA AUMs as the same amounted to Rs. 1.03b at end-Nov’18. Going forward, management envisages ambitious growth in AUMs of both mutual funds and SMAs through revamped sales force and channels. The achievement of the same in the given rating horizon would be an important rating determinant.</p> <p>Performance of the largest fund remains satisfactory vis-à-vis peers; however, room for improvement exists in case of performance of other funds</p> <p>Presently, AWTIL is managing 5 funds in the conventional income, equity and asset allocation categories as well as Islamic income and equity categories. Performance of largest fund, PIML Income Fund (IF), has improved as it ranked in the first quartile among respective peers in FY18 and the ongoing year. However, performance of other funds depicts room for improvement as the same ranked either in third or in fourth quartile of the respective peer groups.</p>

JCR-VIS Credit Rating Company Limited

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

FINANCIAL SUMMARY		Appendix II	
<u>PIML Daily Reserve Fund</u>		FY18	FY17
Fund Size (in Rs. millions)		107.9	238.6
Return (%)		4.61%	6.16%
Benchmark (%)		5.33%	4.42%
Retail Proportion (% of Net assets)		0.6%	11.1%
Ranking Against Peers		20/21	16/21
<u>PIML Income Fund</u>		FY18	FY17
Fund Size (in Rs. millions)		1,403.3	460.4
Return (%)		5.99%	4.68%
Benchmark (%)		6.32%	6.10%
Retail Proportion (% of Net assets)		26.2%	17.3%
Ranking Against Peers		2/28	26/28
<u>PIML Islamic Equity Fund</u>		FY18	FY17
Fund Size (in Rs. millions)		111.5	236.4
Return (%)		-21.45%	17.02%
Benchmark (%)		-9.59%	18.80%
Retail Proportion (% of Net assets)		12.4%	35.1%
Ranking Against Peers		18/20	16/20
<u>PIML Islamic Income Fund</u>		FY18	FY17
Fund Size (in Rs. millions)		99.01	36.4
Return (%)		4.14%	4.37%
Benchmark (%)		2.46%	3.01%
Retail Proportion (% of Net assets)		32.3%	62.5%
Ranking Against Peers		13/18	14/18
<u>PIML Value Equity Fund</u>		FY18	FY17
Fund Size (in Rs. millions)		113.3	205.3
Return (%)		-19.46%	22.36%
Benchmark (%)		-10.00%	23.24%
Retail Proportion (% of Net assets)		5.4%	18.4%
Ranking Against Peers		19/21	17/20

JCR-VIS Credit Rating Company Limited

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

PIML Asset Allocation Fund	FY18	FY17
Fund Size (in Rs. millions)	343.0	324.2
Return (%)	-12.15%	2.74%
Benchmark (%)	-3.51%	13.30%
Retail Proportion (% of Net assets)	4.5%	8.7%
Ranking Against Peers	8/11	11/11

RATING SCALE - MANAGEMENT QUALITY RATINGS

AM1:

Asset manager exhibit Excellent management characteristics

AM2++, AM2+, AM2:

Asset manager exhibit Very Good management characteristics

AM3++, AM3+, AM3:

Asset manager exhibit Good management characteristics

AM4++, AM4+, AM4:

Asset manager exhibit Adequate management characteristics

AM5:

Asset manager exhibit Weak management characteristics

For harmony in notations, single plus (+) or double plus (++) have replaced notation of plus (+) or minus (-) to indicate the relative degree of strength within each category.

For companies undertaking Investment Advisory Services only, the Management Quality Rating Scale is appended with the suffix 'IA' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.

For companies undertaking REIT Management Services only, the Management Quality Rating Scale is appended with the suffix 'RMC' to distinguish it from other Management Quality Ratings outstanding by JCR-VIS.

Rating Watch: JCR-VIS places entities and issues on 'Rating Watch' when it deems that there are conditions present that necessitate re-evaluation of the assigned rating(s). Refer to our 'Criteria for Rating Watch' for details. www.jcrvis.com.pk/images/criteria_watch.pdf

Rating Outlooks: The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. www.jcrvis.com.pk/images/criteria_outlook.pdf

JCR-VIS Credit Rating Company Limited

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

REGULATORY DISCLOSURE		Appendix IV		
Name of Rated Entity	AWT Investments Limited (Formerly Primus Investment Management Limited)			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	18-Jan-2019	AM3+	Stable	Reaffirmed
	15-Dec-2016	AM3+	-	Rating Watch-Developing
	4-May-2016	AM3+	Positive	Harmonised
	31-Dec-2015	AM3	Positive	Reaffirmed
	18-Nov-2014	AM3	Positive	Reaffirmed
	13-Jan-2014	AM3	Positive	Maintained
	8-Jan-2013	AM3	Stable	Initial
Instrument Structure	N/A			
Statement by the Rating Team	JCR-VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
Probability of Default	JCR-VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
Disclaimer	Information herein was obtained from sources believed to be accurate and reliable; however, JCR-VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. JCR-VIS is not an NRSRO and its ratings are not NRSRO credit ratings. Copyright 2019 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS.			