

Magnus Investment Advisors Limited

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Analysts: Sobia Maqbool / Naveen Hasan

Chairman: Mr. Imran Ibrahim

Chief Executive: Mr. Nadeem Jeddy

Category	Latest	Previous
Management Quality	AM3 Jan 14, '09	N/A

Rating Rationale

Magnus Investment Advisors Limited (Magnus) formally initiated operations in 2007, with a license to undertake investment advisory services. Initial emphasis was placed on development of manuals, operational procedures and the necessary support systems. Executive management positions have also been staffed with competent personnel with the company having adequate resources to handle the current scope of operations. The Board of Directors comprises people with diverse experience in investment analysis, sector research and corporate governance. Three of the seven directors qualify as independent members of the Board. A risk management committee, comprising the risk manager and two independent directors, is also organized at the Board level.

Magnus has structured itself according to a fee-based model although a portion of the compensation may also be linked to performance of portfolio under management. In order to ensure transparency, clients are allowed access to details of the management company's proprietary portfolio and employees' personal investment portfolio. The same disclosures are also made voluntarily to regulatory authorities on a periodic basis. The company has also set up an independent risk management division which monitors all business and investment risks. The risk manager reports directly to the risk management committee and independently verifies all investment proposals, prior to any investment action. The presence of personnel with relevant experience on the Board further solidifies depth of investment analysis and risk management.

Emphasis has been placed on soliciting business from multinationals expected to be more open to the business philosophy of Magnus. At present, however, no local mandate has been signed. Overseas business mandates, including those belonging to two directors of the company, represent assets under management of about Rs. 250m. So far, the management has booked revenue to the tune of Rs. 2.78m for the period ended June 30, 2008, most of which is attributable to surplus funds deployed in bank deposits. The management company is well capitalized for its planned scope of operations, with an equity base of Rs. 162.33m.

While soliciting investment mandates may prove more difficult amidst current state of capital markets, recent events have provided institutional investors with an acute understanding of the need for more personalized forms of investment management, notwithstanding the attractive rates being offered by the banking industry on various deposit schemes. Performance data for the CEO's own investment portfolio, which is completely invested overseas, shows historic out-performance of major international indices. Performance of the portfolio and indices may however not be directly comparable as the portfolio was constructed using a concentrated strategy, with focus on some sectors of the economy. The same investment philosophy is being applied at Magnus, which has also been able to outperform major indices over the past one year. The company's ability to secure mandates and achieve returns in line with investment guidelines in the domestic markets will be tested over time.

Overview of the Management Company

Magnus Investment Advisors Limited was incorporated in June 2007 as a public limited company. The company is licensed to undertake investment advisory services, with focus on two market segments namely ultra high net-worth individuals and institutional clients. The major shareholder of the company is the founding CEO, holding 73.6% of the shares while Ms. Amani Sue holds another 8%. Board members Mr. Winato Kartano and Mr. Hardi Wijaya each hold 9.5% of shares while a nominal portion of the shareholding is also held by other Board members. External auditors of the company are M/s KPMG Taseer Hadi & Co. JCR-VIS

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