

Magnus Investment Advisors Limited

February 8, 2010

Analysts: Sobia Maqbool / Hina Saleem Mesiya

Chairman: Mr. Imran Ibrahim

Chief Executive: Mr. Nadeem Jeddy

Category	Latest	Previous
Management Quality	AM3 Feb 4, '10	AM3 Jan 14, '09

Rating Rationale

In the second year of operations, Magnus Investment Advisors Limited (Magnus) has been successful in soliciting investment mandates from three local clients, with aggregate portfolio under management currently standing at almost Rs. 4b, including Rs. 300m from overseas clients. The company had already completed necessary groundwork for managing portfolios, with risk management guidelines and investment processes to be followed clearly articulated by the founding members of the organization.

The organization structure is being slightly restructured with the position of risk manager proposed to be eliminated and a position for finance control/compliance will be created. Risk management department may however still be required which can have a broader scope than just monitoring compliance with policy manuals. Internal audit function, which so far falls under the ambit of risk management, has been proposed to be outsourced. Most of the senior management has been associated with the company since inception. The recent appointment at the senior level has enhanced the quantitative capabilities of the management team.

To ensure transparency of the investment process, some of the key principles instituted by the company include; voluntary reporting to the regulatory authority on proprietary and employees' trades. In case the management has the intention to trade a security on company's account, while the same also forms part of the approved list of securities for clients' portfolios, the clients are informed three days in advance of the impending trade. Moreover, under the non-discretionary arrangement with domestic clients, Magnus has no interaction with either the brokerage firm or custodian of funds and its activities are solely limited to buy/sell recommendations made to the trustees to the funds.

Research department is well integrated with the investment management function. For every major sector, a research analyst is identified who reports to the relevant sector specialist. Sector specialists are members of the Investment Committee. Quality of equity research is markedly better than some industry participants.

Magnus has seven portfolios under management. Four portfolios pertain to overseas clients and these have been with the company for more than a year, of which two belong to the directors of the company. Remaining three portfolios are retirement funds of top tier MNCs, which have been signed in calendar year 2009. Regular reporting is required as per the investment mandates, wherein performance measurement criteria have also been laid down. Risk adjusted return of the local client compares favorably to the local index though overseas mandates have featured some inconsistency on account of change in sectoral exposures over time. The performance of recently awarded mandates in line with investment policy statements and consistency of the same 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 72.6% 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

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 Credit Rating Company Limited is paid a fee for most rating assignments. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. Copyright 2010 JCR-VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to JCR-VIS Credit Rating Company Limited.