

Magnus Investment Advisors Limited

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Analyst: Sabeen Saleem, CFA / Sobia Maqbool, CFA

Chairman: Mr. Imran Ibrahim

Chief Executive: Mr. Nadeem Jeddy

Category	Latest	Previous
Management	AM3+	AM3
Quality Rating	Feb 17, '11	Feb 4, '10
Outlook	Stable	Stable
	Feb 17, '11	Feb 4, '10

Rating Rationale

Considerable growth has been witnessed in both number and size of portfolios being managed by Magnus Investment Advisors Limited (Magnus) during FY10 to date. Magnus has successfully signed five fresh mandates with local clients, increasing the aggregate portfolio under management to Rs. 9.6b as of December-end 2010. With the exception of one local client, all others are non-discretionary in nature. In addition to fresh clients, increase in funds being managed by Magnus of older clients is testament of the level of client satisfaction. The company has also formalized client feedback process. While performance of recently awarded mandates will be tested over time, results reported so far have been encouraging. Furthermore, client retention history will also be established over time by the longevity of customer relationships.

Currently, the company has three portfolio managers. Responsibility for marketing, sector analysis and investment decision making is shared amongst these portfolio managers with the CEO. Every portfolio manager is assigned specific sectors for analysis. All three sector specialists/portfolio managers are members of the Investment Committee (IC), along with the Chief Executive Officer who is also officiating as a sector specialist and Chief Investment Officer (CIO). The company also has in-house resources available for quantitative analysis. Research process at Magnus is very thorough.

Given the size of the company, with a limited number of employees and still managed by its founder and chief investment strategist, Magnus may be vulnerable to key employee risk. Furthermore, there may be lack of accountability in the present organizational structure, with the CEO and majority shareholder being common. The role of Board of Directors may need to be enhanced to include monitoring of performance of client mandates.

Full time position of risk manager has been eliminated, with the Risk Committee (RC) Chairman, Mr. Hardi Wijaya, also a Board member, currently acting as risk manager. In the absence of this position at management level, there is currently no independent review being undertaken from specialized personnel outside the decision making process. The RC is formed for domestic clients and proprietary equity investments, whereas overseas clients' investment process risk is supervised at the IC level. Internal audit function which used to fall under the ambit of risk management has been proposed to be outsourced.

With increasing number of client mandates, there may be a need to develop a system to capture all client correspondence, the volume of which has increased manifolds. Investment advisors continuously monitor risk, price and value of each security, and provide rationale behind each recommendation, as observed in the correspondence between the company and clients. Transparency and quality of services are considered satisfactory as gauged from the internal logs on client communication.

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% shares while a nominal portion of the shareholding is also held by other Board members. Financial statements of Magnus for FY10 were audited by M/s KPMG Taseer Hadi & Co. 