

## ABL Asset Management Company Ltd.

Chairman: Sheikh Mukhtar Ahmed; Chief Executive: Mr. Farid Ahmed Khan, CFA

### Rating Rationale

Date: June 27, 2013

Analysts: Sobia Maqbool CFA/Faryal Ahmad

	Latest	Previous
<b>Rating</b>	<b>AM2</b> June 21, '13	<b>AM2-</b> Jan 10, '13
<b>Outlook</b>	<b>Stable</b>	<b>Positive</b>

A wholly owned subsidiary of Allied Bank Limited (ABL), ABL Asset Management Company (ABL AMC) manages seven open end mutual funds with total assets under management of Rs. 19.3b (FY12: Rs. 16.7b) as of April 2013. ABL AMC has three fixed income funds (ABL Income Fund, ABL Govt. Securities Fund and ABL Islamic Income Fund), a money market fund (ABL Cash Fund), two equity funds (ABL Stock Fund, ABL Islamic Equity Fund) and a newly launched capital protected fund (ABL Capital Protected Fund). To increase the product suite offering for clients, ABL AMC plans to launch two additional funds during the ongoing year. These include two pension funds.

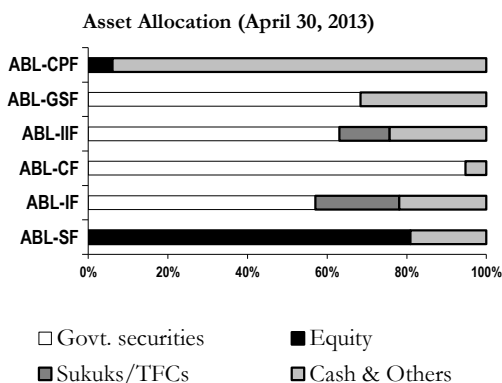
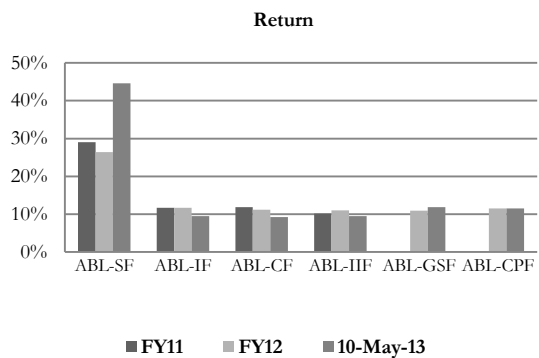
With respect to net assets, ABL CF is the largest fund under management with net assets amounting to Rs. 13.7b (FY12: 9.7b) as of end April 2013, followed by ABL IF at Rs. 2.4b (FY12: Rs. 3.3b). With regards to performance, all funds have shown consistent returns above the peer group medians over the longer term horizon with rankings of five funds (excluding ABL CF) remaining in the first quadrant for at least the last six month period. With substantial amount of net assets invested in government backed securities in the fixed income and money market category, absolute returns posted by these funds have shown a decline owing to the 250bps discount rate cut by the central bank during CY12. Future trend in policy rate will primarily determine the rate of returns provided by the funds invested in these avenues and therefore shorter duration is being maintained for the funds for the time being.

With the fixed income market not remaining a lucrative avenue for investment over the concluding calendar year, equity trading saw a surge and the KSE-30 posted a return of over 42% from end-June 2012 to end-May 2013. ABL SF, posted a strong YTD return of 44.6% as of May 10, 2013 (HY13: 18.2%), improving its ranking to fourth position from tenth out of a total of nineteen funds in the peer group during this period. ABL Islamic Equity Fund was launched during June 2013 and returns are yet to be evaluated.

Certain changes have been introduced in the organizational structure over the past half year to better support the fund management function. A dedicated 'Risk and Compliance' team has been instated which has allowed for improvement in quality and frequency of reporting to the investment committee and other top management personnel. Daily as well as bi-monthly reporting raises flags for any breaches in investments as per policy and other internal limits; other reports recently introduced facilitate comprehensive risk management. On the marketing side, additional resources have been hired at both the management and ground level. Previously the parent bank's field staff was being utilized for marketing the AMC's funds. However that strategy is being re-evaluated in view of under-achievement of targets; the company's own trained sales team is being strengthened for marketing purposes. Retail investment comprises 20% of the total outstanding AUMs.

Under its investment advisory capacity, ABL AMC serves a total of six clients on discretionary basis under nine separate mandates having total AUMs of Rs. 657.6m (FY12: Rs. 498m) as of end-March 2013. Besides one individual investor, all mandates pertain to retirement funds of multinationals and/or large corporate entities. Returns are considered acceptable given the performance of the stock market and average interest rates in the market; all mandates were able to post returns higher than the bench-mark return identified for each portfolio. Fee earned is based on out-performance of these bench-mark returns.

Total asset base of the AMC showed a growth of 28% to Rs. 894m (FY11: Rs. 698m) by year end December 2012, on account of funding made available through retained earnings. This asset growth was manifested in the investment portfolio which augmented to Rs. 779m (FY11: Rs. 596m). Profit after tax for the year was booked at Rs. 207m and return on equity amounted to 24% for the same period. Future profitability greatly depends on the pace of growth and magnitude of AUMs mobilized which can be accelerated through greater product and service distinction, going forward.



## Overview of the Institution

ABL Asset Management Company Limited is a wholly owned subsidiary of Allied Bank Limited. The company is licensed to carry out asset management and investment advisory services with seven open end funds under management as of June 30, 2013. M/s. Ford Rhodes Sidat Hyder and Co. were external auditors of ABL AMC for FY2012 <sup>JCR-VIS</sup>