

## RATING REPORT

### Primus Investment Management Limited

**REPORT DATE:**
8<sup>th</sup> January 2016
**RATING ANALYSTS:**

Jazib Ahmed - CFA

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**RATING DETAILS**

	Latest Rating	Previous Rating
<b>Rating Category</b>	<b>MQR</b>	<b>MQR</b>
<b>MQ Rating</b>	AM3	AM3
<b>Rating Outlook</b>	Positive	Positive
<b>Rating Date</b>	31-Dec-2015	18-Nov-2014

**COMPANY INFORMATION**

Incorporated in August 2011

External auditors: Ernst &amp; Young Ford Rhodes Sidat Hyder, Chartered Accountants

Unlisted Public Limited Company

Chairman of the Board: Mr. Khalid Aziz Mirza

Key Shareholders (with stake 5% or more):

Chief Executive Officer: Mr. Ahmed Ateeq

Pak Brunei Investment Company Limited

**APPLICABLE METHODOLOGY(IES)**

JCR-VIS Entity Rating Criteria

Mutual Funds Rating (December 2006): <http://www.jcrvis.com.pk/Images/MFund-20061201-2.pdf>

**Primus Investment Management Limited**

OVERVIEW OF THE INSTITUTION	RATING RATIONALE
<p>Primus Investment Management Limited (PIML) is a public unlisted company incorporated in Pakistan in August 2011. It is a wholly owned subsidiary of Pak-Brunei Investment Company Limited (PBICL) which is a joint venture between the Government of Pakistan and the Brunei Investment Agency. PIML has obtained licenses to undertake Investment Advisory Services and Asset Management Services under the NBFC Rules and NBFC Regulations.</p>	<p>Regulatory changes and tax implications on the Asset Management Companies in the last two years have resulted in investors becoming wary of tax adjusted returns; Primus Investment Management Limited (PIML) has had to shelve aggressive expansion plans via establishing branches across the country in the outgoing period and has re-strategized to take a slow and steady approach towards future expansion. While being in operation for the past four years, PIML strives to increase its retail investors’ base, which is currently low.</p> <p>Assets Under Management (AUMs) for FY15 saw a decline of 14% to Rs. 6.5b (FY14: Rs. 7.6b), thereafter recouping to Rs. 9.3b by end November 2015; related party investments remains high at 66% at end FY15 (FY14: 64%). There are a total of six funds under management covering 3 out of 6 major classes of mutual funds; while an asset allocation fund is expected to be launched in the ongoing year. Two of the largest fund namely PIML Daily Reserve Fund and PIML Income Fund represent 91% of funds under management by the AMC, while the remaining four had total assets of Rs. 733mn (FY15: 566mn) as at end 1QFY16.</p> <p>Oversight of the board is considered adequate; however the same can be improved with focus on areas highlighted by Risk and Compliance as follow up needs strengthening. There have been changes in the senior management in critical areas like risk, operation and business development. The CEO has changed twice since last year with Mr. Ahmed Ateeq returning to spearhead the AMC. Stability in senior management team is considered essential for continuity in business strategy. PIML shares certain departments with its parent Pak-Brunei Investment Company Limited (PBICL) namely HR, Administration, IT and Internal Audit. Moreover, this strategy minimizes the overheads.</p> <p>Peer ranking of funds under management have posted an improvement on a timeline basis. Returns of 2 funds were in the top quartile while returns of 2 funds were in the second quartile of their respective peer groups; although consistency in performance would be tested over time given the fund’s limited performance history. There is a six member Investment Committee (IC) in place which includes Head of Research and Risk &amp; Compliance that undertakes consensus based decision making. Since last review, the frequency of meetings has increased from monthly to weekly.</p> <p>The AMC has a debt free balance sheet. Equity base is 25% above the minimum capital requirement for AMCs. Profitability declined by 52% in CY14 on account of additional hiring in the sales and marketing department. However half year FY15 profitability has improved compared to half year FY14, the increase was due to capital gain, whereas revenue from management fee has remained at similar levels.</p>

## JCR-VIS Credit Rating Company Limited

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

### Primus Investment Management Limited

FINANCIAL SUMMARY		Appendix III	
<b><u>PIML Daily Reserve Fund</u></b>	<b>FY15</b>	<b>FY14</b>	<b>FY13*</b>
Fund Size (in Rs. millions)	1,228	3,001	4,001
Return (%)	9.58%	8.91%	9.87%
Benchmark (%)	7.77%	8.43%	7.93%
Retail Proportion (% of Net assets)	10.7%	1.8%	1.2%
Ranking Against Peers	3/22	1/21	1/21
* Inception January 2013			
<b><u>PIML Income Fund</u></b>	<b>FY15</b>	<b>FY14*</b>	<b>FY13</b>
Fund Size (in Rs. millions)	4,751	4,299	-
Return (%)	16.96%	8.24%	-
Benchmark (%)	8.35%	9.46%	-
Retail Proportion (% of Net assets)	1.2%	0.2%	-
Ranking Against Peers	2/28	3/26	-
* Converted to Income fund in April 2014			
<b><u>PIML Strategic Multi Asset Fund</u></b>	<b>FY15</b>	<b>FY14*</b>	<b>FY13</b>
Fund Size (in Rs. millions)	232	114	-
Return (%)	28.64%	9.27%	-
Benchmark (%)	13.40%	18.80%	-
Retail Proportion (% of Net assets)	4.2%	2.9%	-
Ranking Against Peers	3/7	6/6	-
* Inception August 2013			
<b><u>PIML Islamic Equity Fund</u></b>	<b>FY15</b>	<b>FY14*</b>	<b>FY13</b>
Fund Size (in Rs. millions)	109	110	-
Return (%)	24.96%	4.58%	-
Benchmark (%)	20.10%	10.70%	-
Retail Proportion (% of Net assets)	0.9%	1.5%	-
Ranking Against Peers	4/13	8/8	-
* Inception March 2014			
<b><u>PIML Islamic Money Market Fund</u></b>	<b>FY15</b>	<b>FY14*</b>	<b>FY13</b>
Fund Size (in Rs. millions)	107	111	-
Return (%)	5.08%	5.46%	-
Benchmark (%)	6.18%	6.49%	-
Retail Proportion (% of Net assets)	1.8%	5.9%	-

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Ranking Against Peers	4/4	4/4	-
* Inception March 2014			
<b><u>PIML Value Equity Fund</u></b>	<b>FY15*</b>	<b>FY14</b>	<b>FY13</b>
Fund Size (in Rs. millions)	118	-	-
Return (%)	9.11%	-	-
Benchmark (%)	4.64%	-	-
Retail Proportion (% of Net assets)	3.9%	-	-
Ranking Against Peers	4/21	-	-
* Inception March 2015			

**AM1:** Highest Management Quality

**AM2+, AM2, AM2-:** High Management Quality

**AM3+, AM3, AM3-:** Good Management Quality

**AM4+, AM4, AM4-:** Adequate Management Quality

**AM5+, AM5, AM5-:** Weak Management Quality

*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.*

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**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](http://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 V		
Name of Rated Entity	<b>Primus Investment Management Limited</b>			
Sector	Mutual Funds			
Type of Relationship	Solicited			
Purpose of Rating	Management Quality Rating			
Rating History	Rating Date	Medium to Long Term	Outlook	Rating Action
	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.			
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