

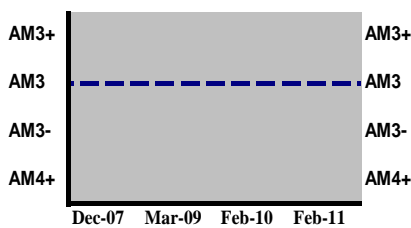
RATINGS (APRIL 2011)

ALFALAH GHP INVESTMENT MANAGEMENT LIMITED (AGIM)



OUTLOOK: POSITIVE

RATING HISTORY



Assets under Management

Amount in PKR mln

Funds	Size	
	Open-end	Dec-09
AGVF	459	526
AGIMF	291	634
AGIF	334	327
AGAF	164	166
AGCF	1,261	-
AGPPF	1,088	1,008
AGPPF-II	798	745
Total AUM	4,395	3,407
System share	1.80%	1.50%

ANALYSTS

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RATING RATIONALE AND KEY RATING DRIVERS

- The rating reflects the company's experienced and qualified management team, structured investment process, and association with a leading commercial bank – Bank Alfalah Limited (BAL). The rating incorporates the relative stability among the strengthened core fund management team alongwith the continuous development of the systems and processes resulting in consistently good funds performance as against peers. Although the size and diversity in assets under management registered improvement, it remained limited.
- The rating is dependent on the management's ability to effectively leverage on the parent bank's network to elevate its market penetration. Meanwhile, a focused business strategy alongwith strong and stable funds' performance would be important. The 'Positive Outlook' assigned to the rating incorporates the management's initiatives towards consistent strengthening of risk management function.

ASSESSMENT

- Commencing operations in Mar05, AGIM is licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies Rules, 2008. The main sponsors of AGIM are Bank Alfalah Limited (BAL) with 40% shareholding. Other Institutional investors include MAB Investments Inc. (a holding company of Dhabi Group, UAE) having shareholding of 40% and GHP Arbitrium Holdings Limited of Switzerland with 16% shareholding. BAL is sixth largest commercial bank in Pakistan with an asset base of PKR 387bln at end-Sep10. The bank is currently operating with a branch network of 337 branches. MAB Investments is the private investment holding company of Dhabi Group and has interests in telecom, financial services, and real estate sectors in Pakistan. Meanwhile, GHP Arbitrium Holding AG, founded in 1988, is a portfolio management and investment counseling company based in Switzerland.

- AGIM's seven-member BoD includes the CEO alongwith three representatives of BAL, one representative of GHP Arbitrium Holdings Limited and two director independent of key sponsors. The CEO, Mr. Abdul Aziz Anis, CFA, has considerable experience in Pakistan's capital markets and has been associated with the company since inception.

- With the launch of Alfalah GHP Cash Fund (AGCF) in March 10, AGIM is currently managing seven open-end funds including – Income Fund (Alfalah GHP Income Multiplier Fund – AGIMF), Equity Fund (Alfalah GHP Alpha Fund – AGAF), Asset Allocation (Alfalah GHP Value Fund – AGVF), Islamic Asset Allocation (Alfalah GHP Islamic Fund – AGIF), and two Capital Protected Funds. Although AGIM witnessed a growth of 24% in its AUM mainly contributed by the newly launched money market fund (AGCF), the system share remained low. Most of the funds have maintained superior funds performance against peers since inception. However, its income fund's performance has come under pressure due to high incidence of non-performance TFCs in its portfolio. The investor concentration in AGIM's funds is fairly high, with minimal contribution from the retail investors.

- AGIM entered into an agreement with BAL for marketing and distribution of its funds through the bank's Priority Banking and Wealth Management Department. However, the contribution remained limited owing to structural changes taking place at the bank. The company plans to develop a comprehensive distribution strategy to enhance its market penetration and increase the overall AUM. The final outcome and related timeline remains to be seen. The marketing department has inducted two experienced resources in order to enhance its corporate and institutional sales.

- The management team of AGIM comprises experienced and qualified professionals and has witnessed limited turnover. The portfolio management department is well structured and strengthened through an experienced resource as Chief Investment Officer (CIO), carrying diverse fund management experience both domestically and internationally.

- The Investment Committee (IC) comprises CEO, CIO, CFO and Fund Managers. Head of research is also invited to the IC as a non-voting member. The IC meets on a weekly basis to develop investment strategies, take major portfolio-related decisions, and also monitor funds' performance. The research division comprises two research analysts and database manager headed by the Head of Research with adequate experience. It provides crucial support to the overall investment management function.

- With the induction of a new resource for compliance and risk management, AGIM plans to improve overall control environment. The internal audit function has been outsourced to a reputable accounting firm, Ernst & Young Ford Rhodes Sidat Hyder, which reports directly to the Audit Committee of BoD on quarterly basis. The company has developed an inhouse software for effective monitoring and ensuring fairness and controls in trading activities.