



ARIF HABIB INVESTMENT MANAGEMENT LIMITED (AHIML)

Asset Manager Rating

(February 2008)

AM2
Outlook: Positive

Assets Under Management

(End-Dec07)

Fund / Category	Size (PKR mln)
Closed-end	
Pakistan Premier Fund	2,631
Pakistan Strategic Allocation Fund	3,396
Pakistan Capital Protected Fund	628
	6,655
Open-end	
Pakistan Stock Market Fund	3,709
Pakistan Capital Market Fund	1,143
Pakistan Income Fund	9,260
Metro Bank Pakistan Sovereign Fund	824
Pakistan Int'l Element Islamic Fund	1,046
Pakistan Pension Fund	102
Pakistan Islamic Pension Fund	91
	16,175
	22,830

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SUMMARY

- The asset manager rating of AHIML, AM2, has been assigned a positive outlook. The rating recognizes the company's leading position in the sector emanating from its qualified and experienced management, successful track record, diverse product base, structured investment process and sound technology infrastructure. In the wake of changing landscape of the asset management sector and AHIML's relatively subdued performance, the company has taken many initiatives – currently in the process of consolidation – to structure and strengthen its operating platform in terms of marketing, distribution, risk management, fund management, and human resource. While these initiatives augur well for the company, their translation into a competitive edge for the company remains to be seen.
- Incorporated in August 2000, AHIML is one of the largest private sector asset management companies in Pakistan. Arif Habib Securities Limited (AHS) – the holding company for Arif Habib Group – holds majority stake (62%) in the company. The group is engaged in investment, financial advisory services, brokerage, investment banking, commercial banking, cement and fertilizer industries. The group now entered into private equity segment by setting up a venture capital company, Pakistan Private Equity Management Limited. The group also plans to set up a commodities firm at Dubai Multi Commodities Centre. Meanwhile, Arif Habib Bank is a new yet expanding commercial bank of the group. The Chief Executive of AHIML, a known figure in the country's mutual fund industry and associated with AHIML since its inception, is a Chartered Accountant with over three decades of experience in the financial sector.
- AHIML is catering to different investment objectives of a diverse client base through offering various types of funds, including equity, income, asset allocation, Islamic fund and pension schemes. Meanwhile, investors have the option to participate in various investment plans/saving schemes developed by the company, involving these funds. The company currently has five open-end and three closed-end funds under management. In addition, the management has recently launched two pension schemes, Pakistan Pension Fund and Pakistan Islamic Pension Fund, based on equity and debt funds. This is inline with initiatives by a few peers to launch specialized products for meeting specific investor needs. In this regard, a product development committee has also been set up for identifying opportunities to launch new funds and designing investment plans based on AHIML's range of funds. The management is targeting relatively higher growth in assets under management during 2008. To achieve this, it plans to enhance its advisory business, launch a variety of new funds – capital protected and cash fund – alongwith customized investment plans. "Hajj Saver Plan" has already been launched with "Dynamic Income Provider" in the pipeline.
- AHIML faced the problem of relatively higher employee turnover. Consequently, AHIML engaged an HR consultant, which helped in restructuring of the organizational layout, succession planning, training, and suggested measures to improve overall job satisfaction of employees.
- The management recently undertook a restructuring exercise across the company. The key focus is to fortify the company's ability to attract and retain investors in its existing as well as new funds. Inline with the objective, a proper hierarchy is established in the marketing department which would not only provide a career path for employees but also an effective structure to enhance sales. Meanwhile, the company hired a professional with considerable related experience to head that department. The management plans to open four new branches in major cities of the country (existing branches: 06). Besides setting up a special desk in each Arif Habib Bank branch to market the company's funds, a call center has also been established to respond to customers' queries. The number of investment promotions officers – now taken as permanent employees to bolster their loyalty – are planned to be increased substantially (end Nov 07: 70). The company has also planned an aggressive advertisement campaign, expected to focus more on specific features of related products than brand name of Arif Habib. Meanwhile, AHIML has executed an agreement with National Bank of Fujairah, UAE, for sale of units to overseas Pakistanis. At the same time, the company is exploring opportunities in the North America and the United Kingdom to attract investment in funds.
- To arrest relatively subdued performance trend in funds and ensure effective deregulation of functional responsibilities, the fund management and research departments were also reorganized. An independent quality assurance and operational risk department has been set up – headed by an experienced professional – to identify, measure and control risks arising from operations of the company. Fund accounting and operations department was separated from the finance department and a chartered accountant with fourteen years experience was hired to head that department.
- The company has recently taken many initiatives to upgrade its technological platform. Besides integrating Unit Holder Account and Integrated Portfolio Management System with General Ledger, the company has implemented two new software, Customer Complain Center and Client Relationship Management. A new website of the company, based on .NET framework and with user-friendly features, has been launched. A transaction tracking module is in the development process that will monitor online progress on investment/redemption requests of the company's customers.