



IGI FUNDS LIMITED (IGI FL)

Asset Manager Rating

(December 2006)

AM3-

Analysts

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SUMMARY

- IGI FL has been assigned an Asset Manager Rating of 'AM3-'. The rating reflects IGI FL's association with a renowned and strong corporate group and a well-qualified management team. The rating also takes into account the inherent constraint of early stage of operations. However, the management has formulated a well-conceived business strategy, whereby the company would be focusing on institutional clients in the initial phase of operations and, thereafter, gradually expanding its outreach to retail customers. At the same time, the management has a clear vision to establish a niche in managing retirement funds. Meanwhile, the company has put in place basic internal infrastructure by (1) comprehensive policies and procedural manuals enabling it to establish a foundation of all the company's operations, and (2) the latest version of a tested IT system that would facilitate assets management activities.
- IGI FL, incorporated in January 2006, is licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies, Rules 2003. IGI FL is a wholly owned subsidiary of IGI Investment Bank Limited (IGI IBL) (formerly First International Investment Bank Limited – Interbank). IGI IBL, incorporated in 1990 and listed on Lahore and Karachi stock exchanges, is majority owned by Packages group (55%). Packages group – a dynamic conglomerate of Pakistan – is involved in a diverse range of business activities including paper and board, packaging, milk and dairy processing, consumer products and insurance. Recently there is an increasing realization by the group to strengthen its profile within the financial sector, as group companies now offer the full range of non-banking financial services. As a result, all group companies in the financial segment are being branded together as "IGI Financial Services". At the same time, wherever possible, further synergetic benefits would also be explored including having common business premises and sharing of support services.
- The Chief Executive of IGI FL, an MBA from IBA Karachi, has over 20 years of experience in capital markets and banking. He is assisted by a team of professionals with strong academic and professional credentials. While the company has developed a competent human resource base, cohesiveness and efficacy of the management team remains to be seen.
- IGI FL has developed a holistic business strategy and plans to launch diverse range of products in the medium-term. However, initially the focus would remain on launching plain vanilla funds including income, equity, and Islamic funds. The group is expected to inject core capital in these funds. IGI FL, therefore, is not expected to face difficulties in initial launch of these funds. Over the longer term, the goal is to establish IGI FL as a retirement fund specialist that would generate demand from institutions and individuals seeking fund management expertise specific to retirement planning. At the same time, the company plans to meet superior customer service standards that have been achieved by some established players in the market.
- As a marketing strategy, IGI FL intends to explore multiple distribution channels. This includes utilizing the branches of IGI financial services, which would help in minimizing the related costs. The company also plans robust establishment and expansion of in-house sales force and 'IGI Funds Advisor' outlets. These fund advisors would be trained in-house through a comprehensive training program. Furthermore, the company plans to introduce 'IGI Funds Alliance Partner' – which is a distribution program to have greater public access to its funds. This program would include certain banks and outlets of selected organizations via point of sale concept. Facilitation agreements with some specialized distribution firms are also in the offing.
- The company has finalized the structure of the Investment Committee (IC), comprising CEO, CIO, Group Head Strategy and Business Development, CFO, and Fund Manager. The IC is mainly responsible for devising overall portfolio strategy and ensuring its efficient implementation. Investment decision would be driven by fundamental analysis. IGI FL is, therefore, building a strong research team and already have detailed procedures in place. The company has documented investment process according to which research department, based on its analysis would recommend investment options to the investment team, which would devise the portfolio strategy. IC would approve the portfolio strategy and issue broad guidelines. The investment team would then be responsible for execution of the approved strategy to build an optimum portfolio. The company, in order to ensure adequacy of the investment process and core asset management software, would continue to manage mock portfolios till the launch of its funds.
- A comprehensive set of policies and procedure manuals has been prepared including Investment, Operations, and Unit Holders' Manuals, which are currently pending the board's approval. The core software has been procured from Sidat Hyder Morshed Associates comprising three basic modules: (1) Unit Holder Accounting (2) Portfolio Management and Accounting and (3) Financials and Payroll. The system has the option of integration, which would be exercised as the operations mature. The system is one of the most widely used IT systems in the asset management industry of the country.