

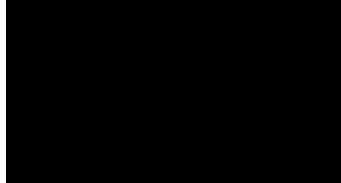


## The Pakistan Credit Rating Agency Limited

**RATINGS (MARCH 2010)**  
**MCB ASSET MANAGEMENT**  
**COMPANY LIMITED**  
**(MCBAMC)**



### RATING HISTORY



### ASSETS UNDER MANAGEMENT

Amount in PKR mln

Funds	Size	
	Open-end	Jan-09
Dynamic Cash Fund	6,343	8,429
Dynamic Stock Fund	630	409
Dynamic Asset Allocation Fund	454	634
Cash Management Optimizer Fund	6,822	-
<b>Total AUM</b>	<b>14,249</b>	<b>9,472</b>

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### RATING RATIONALE AND KEY RATING DRIVERS

- The rating reflects the company’s experienced and competent management team which has shown notable stability. The company has reinforced its systems and processes, particularly the risk management and asset management platform, amidst weak dynamics of the industry. Although the company has demonstrated strong growth in assets under management, it has limited diversity in products as compared to more established peers.
- The rating is dependent on the management’s ability to effectively leverage on the parent bank’s network to elevate its franchise value. The improvement in the products slate, while achieving a strong and stable funds’ performance, would be important. Moreover, consistent improvement in systems, processes, and policies adopted in the investment management process would remain critical.

### ASSESSMENT

- MCB Asset Management Company Limited (MCB AMC), a wholly owned subsidiary of MCB Bank Limited (MCB) rated AA+ by PACRA, commenced operations in Feb06. MCB is the fourth largest bank in Pakistan in terms of asset size. Nishat Group, the major shareholder in MCB, is one of the distinguished business groups in Pakistan. MCB operates a large network of more than one thousand branches across Pakistan. The nine-member BoD of MCB AMC mainly comprises senior officials of MCB, including its CEO. The Chairman of MCB, Mian Muhammad Mansha, is the Chairman of the board. The presence of Mr. Mansha and the CEO of MCB helps the company in eliciting greater support from the parent bank. The board through Audit and HR committees effectively provides strategic guidance to the company. The senior management team of MCB AMC comprises qualified and experienced professionals. The CEO, Mr. Yasir Qadri, has extensive experience in the asset management industry. The organizational set-up of the company is well structured and there has been considerable stability in senior management ranks.
- With the launch of Cash Management Optimizer Fund (CMOP) in Sep09, the company currently has four funds under management, including money market funds, a stock fund and an asset allocation fund. In line with the industry, MCB AMC did suffer from liquidity crises during CY09, which led to a severe dent in the investor confidence, and high redemptions. Nevertheless, it met all redemption requests on time, and without recourse to the borrowing lines. However, the overall AUM mix depicts high unit-holder concentration including investments made by group companies. The company plans to expand its product base in 2010, with expected focus on fixed income funds, along with introduction of investment plans. The investment advisory and asset management services are also being expanded, though the success and related timeline remains to be seen.
- In an effort to effectively leverage the MCB’s outreach, the company has established a strong marketing and distribution function, headed by an experienced professional. The institutional sales team, divided into North and South regions, has remained stable. MCB AMC has a network of more than 50 investment facilitators in branches of MCB, and numerous fund distribution agreements. Nevertheless, its reliance upon institutional investors has remained high as compared to peers, with limited success in tapping MCB’s network to mobilize retail funds. MCB AMC intends to step up its efforts in selling funds through the wealth management branches of MCB.
- MCB AMC has a structured investment process. The primary investment decision-making body is the Investment Committee (IC), comprising the CEO, Sr. Fund Manager, Fund Manager, Head of Research and Sr. Research Analyst. The IC meets on a weekly basis to develop investment strategies, take major portfolio-related decisions, and also monitor funds’ performance. Research department has been strengthened during the year, providing crucial support to investment management function. MCB AMC has developed in-house market analysis software, producing relative fund performance reports. Risk management function undertakes its own research and provides independent opinion on many of the investment decisions before the transaction ensue.
- Risk management compliance department (RMCD) has two independent functions, i) Risk, and ii) Compliance. Each function has two analysts. Risk function is responsible for monitoring and providing necessary oversight to the fund management function. The scope of risk reporting has been significantly enhanced during the year, leading to timely identification and management of risk. The Compliance function ensures compliance with regulatory rulings and internal company regulations, in the form of daily compliance reports. Moreover, internal audit department (IAD) is independent of the management having quarterly reporting to the Audit Committee of the Board. The IAD has been strengthened, both in scope and personnel.
- The software solution implemented for portfolio management, unit holders and general accounting requirements – Fund XS – is adequately supporting the company’s overall operations and is being continuously upgraded. However, the company is in the process of procuring advanced core software. The company also improved its Disaster Recovery and Business Continuity Plan during the year.

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