



CROSBY ASSET MANAGEMENT (PAKISTAN) LIMITED (CAML)

Asset Manager Rating

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AM4

Analysts

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SUMMARY

- CAML has been assigned Asset Manager Rating of 'AM4'. The rating reflects the company's adequate capacity to manage the risks inherent in asset management. This capacity is an outcome of reasonable management experience and business strategy, relevant software tools for portfolio management, adequate risk management policies and independence from reference shareholder in decision-making process. However, given its short operational history and relatively modest size in terms of professional manpower and infrastructure, CAML has not been able to develop systems and processes comparable to some peers that have a longer operational history and considerably larger pool of assets under management. Despite these constraints, CAML has been able to discharge its primary responsibility to investors because of the relatively modest size of assets under management. However, given the existing organizational infrastructure the capacity of the company could come under considerable strain with any material increase in the size of funds under management.
- CAML, incorporated in May 18, 1993 is a wholly owned subsidiary of Crosby Asset Management International Limited (CAMIL) a company incorporated in the British Virgin Island (Hong Kong) which, in turn is a subsidiary of Crosby Capital Partners (CCP). CCP, is the parent company of Crosby Group of Companies, was established in 1984 and is now Asia's leading independent investment management firm with dual headquarters in London and Hong Kong. Currently, CAML is acting as the investment management company for an open-end fund and also plans to act as an investment advisor to closed-end schemes. The current Chief Executive of CAML (Pakistan), Mr. Mumtaz Hussain Syed, is an MBA with vast experience in the financial, telecom, cement, and textile and energy sectors.
- The company is managing Crosby Dragon Fund (CDF) the objective of which is to achieve optimum returns for its investors by investing primarily in equity securities with a defensive contingent strategy to diversify its investments into debt instruments to mitigate the impact of market volatility. The investor base mainly comprises institutional investors with over PKR 467mln assets under management as at Sep 30,2005. Having started operations in Sep-03, the fund has shown average results with annual appreciation on 13% in NAV, which is relatively low as compared to its peer's performance during the same period.
- Going forward CAML plan to structure and launch open and closed-end schemes in Pakistan that shall include customized products to cater to the broad as well as specific class of investors CAML plans to increase its market share by increasing the number and size of funds under management with increasing focus on institutional investors. Due to limited resources in terms of marketing staff and distributional channels the company has to rely heavily on third parties for its marketing efforts, which requires additional care and diligence when selecting those parties. Going forward, one more fund is at the final launching stage: an open-ended fixed income fund namely Crosby cash management fund (CCMF). Once this fund is fully established, the company proposes to create Administrative Plans that would combine investment policies of CDF and CCMF to cater to the customized needs of investors thereby broadening its investor base.
- CAML's client relationship management systems are constrained by the absence of a separate investor services department. It, therefore, has to rely on outsourcing to a transfer agent. However, to cope with such constraints, the company has launched its own website. However, currently this is only used for daily posting of NAV and does not provide any other information to current and prospective clients.
- Currently, CAML does not have any compliance officer, and the IC is responsible for the implementation of all policies and compliance of procedures and systems. This is the area where conflict of interest may arise because of duplication of duties.
- The fund manager daily monitors the portfolio and mostly uses technical analysis while making investment and divestment decisions within the approved limits of investment committee. Currently, CAML has no research department of its own and, consequently, there is greater reliance on research reports from different brokers. However, in order to check the validity and thoroughness of such reports, the company is again constrained by its human and technical infrastructure.
- Adequate risk management policies are in place to manage operational risk by implementing basic disaster recovery systems and credit risk is being managed by imposing limits on brokers.