



The Pakistan Credit Rating Agency Limited

## Rating Report

### AL Habib Asset Management Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
12-Aug-2024	AM2++	-	Stable	Upgrade	-
12-Aug-2023	AM2+	-	Stable	Maintain	-
12-Aug-2022	AM2+	-	Stable	Upgrade	-
15-Sep-2021	AM2	-	Stable	Maintain	-
15-Sep-2020	AM2	-	Stable	Maintain	-
26-Jun-2020	AM2	-	Stable	Upgrade	-
26-Dec-2019	AM3+	-	Stable	Maintain	-
27-Jun-2019	AM3+	-	Stable	Maintain	-
28-Dec-2018	AM3+	-	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The ratings reflect AL Habib Asset Management Limited's ("AHAML" or the "Company") prominent position in the asset management industry, supported by i) a structured investment process ii) sound governance structure and iii) proficient and qualified management. The rating incorporates the company's association with well-established large-sized bank which is one of the dominant player in the market. As of the end of Mar'24, the company has witnessed significant growth in market share which stood at 5.5% (SPLY: 3.7%), The enhanced market penetration is majorly contributed by the growth in the fund size of AL Habib Cash Fund, AL Habib Islamic Cash Fund, and AL Habib Money Market Fund. While AHAML is also making efforts to increase penetration in the equity category. AHAML is managing a diverse fund slate of twelve funds across Conventional and Shariah-compliant categories. The AMC follows a risk-averse approach and keeps majority of its exposure in very low-risk avenues i.e. Government securities and other AAA & AA+ rated avenues. The fund performance under the Money & Income category remained in the Top quartile during the trailing 12-months period ending on Mar'24, Funds under the Equity category demonstrated solid performance, standing out with impressive returns and contributing positively to the overall portfolio. The AMC has penetrated well in the retail market ~41% of the total AUM mix is from retail and ~59% from the Corporate market. The retail mix shows the granularity and stickiness of the AUMs. At the end of Mar'24, the average top 10 investors concentration remains at 29% comforting the redemption pressure. While the average related party holdings were 9%.

The consistent support from the Parent, Bank AL Habib Limited has been instrumental in providing stability and mitigating risks. AHAML benefits significantly from this relationship, utilizing the bank's extensive branch network as Sales and Distribution centers. This synergy enhances operational reach and efficiency.

On the financial side, the Company experienced positive growth during the period under review. During 3MCY24, the Company's topline increased by ~166% to PKR 352.4mln (SPLY: PKR 132.4mln). Moreover, the net profit during 3MCY24 increased by ~170% to PKR 190.6mln (SPLY: PKR 70.6mln) on the back of a ~175% rise in management fee and a 22.5 times increase in Capital gain on the sale of Investment. The Company's equity stood at PKR 1.67bln at the end of 3MCY24, comfortably exceeding the regulatory requirement.

Going forward, it will be crucial to grow AUMs, enhance and stabilize market share, and sustain equity to maintain the assigned rating. Strong fund performance, system strengthening, and adherence to a robust investment process are essential.

#### Disclosure

<b>Name of Rated Entity</b>	AL Habib Asset Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Methodology   Rating Modifiers(Apr-24),Assessment Framework   Asset Manager Rating(Jun-24)
<b>Related Research</b>	Sector Study   Asset Management Companies (AMCs)(Jun-24)
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# Asset Management Companies (AMCs)

The Pakistan Credit Rating Agency Limited

## Profile

**Structure** AL Habib Asset Management Limited ("AHAML" or the "Company"), was incorporated in September 2005, as a public unlisted company.

**Background** The Company is financial arm of Bank AL Habib Limited (AAA rated bank) and Habib Group.

**Market Share** AL Habib Asset Management Limited has a modest but growing standing in the Asset Management industry. The Company's market share has remained at 5.5% at the end Mar'24 (SPLY: 3.7%).

**Diversification Of Fund Mix** The Company is currently managing a product slate of Twelve open-end funds in multiple categories. The Company has also launched a pension fund to enhance the fund slate and increase product diversification.

**Investor Concentration** At end Mar'24, the average top 10 investors concentration remains at 29%. While the average related party holdings were 9%

## Ownership

**Ownership Structure** The Company is wholly owned subsidiary of the Bank AL Habib Limited.

**Business Acumen** The Company's sponsor, Bank AL Habib, is one of the prominent banks in the conventional banking sector. The Bank has a widespread network of more than 1100+ branches all across Pakistan. The strong presence of sponsors in the financial sector will be beneficial for the Company.

**Financial Strength** Bank AL Habib has a long-term rating of AAA and a short-term rating of A1+. The reported equity of the Bank was PKR 126.6bln with a PAT of PKR 35bln at the end of Dec'23. The Bank has already injected additional capital and has a very strong capacity to provide further support if needed.

## Governance

**Board Structure** Currently, the Board of Directors comprises six members including the CEO. Three non-executive, two independent, and one executive director make up the board.

**Members' Profile** Mr. Abbas D. Habib is the chairman of the board, and also the chairman of Bank Al Habib Limited, he is a Fellow Member of the Institute of Bankers Pakistan, having a rich experience of over 40 years in commerce, industry and banking in local and international environments. Overall, the board has a mix of local and foreign banking industry and financial services expert.

**Board Effectiveness** The board actively provides guidance and has setup audit and HR committees to help the Company in smooth operations and keeping a check on relevant activities.

**Transparency** The external auditor of the the Company is M/S EY Ford Rhodes, which falls under 'A' category of SBP panel of auditors.

## Management

**Organizational Structure** The Company has a well-designed and formalized organizational structure. It operates through five main departments, all directly reporting to the CEO. The management intends to streamline the organizational structure to maximize efficiencies.

**Management Team** The CEO, Mr. Kashif Rafi, holds an MBA in Finance from IBA and has established track record in the AMC industry spanning over 20 years senior level positions in top AMCs. The COO, Mr. Zahid Hussain Vasnani, is a Professional Accounting Affiliate from ICAP. He has vast experience in financial services and capital markets. They are supported by a qualified and experienced team.

**Technology Infrastructure** The Company has procured Asset Connect, a widely used IT system in the asset management industry. The software is integrated and comprises basic modules: (1) Unit Holder Module, (2) Portfolio Module, and (3) General Ledger (GL) Module.

**Control Environment** The Company has devised detailed policies for IT, operations, research and risk management. The Company uses excel based models to monitor the exposure limits and margins.

## Investment Risk Management

**Credit Risk** To monitor credit risk, internal assessment modules are in place with a combination of qualitative and quantitative analysis. Excel based credit risk scorecards are being used to provide statistical estimates for counter party credit risk.

**Liquidity Profile** The risk management department monitors the liquidity profile of the Company. Sufficient liquidity is maintained by investing a significant portion of funds in liquid avenues

**Market Risk** The Company has set appropriate metrics to measure exposure to market risk factors. Excel-based financial models are being used to measure the sensitivity of the portfolio instruments due to movements in interest rates. The exposure limits applicable to interest-bearing securities are regularly reviewed and reported to the management.

## Portfolio Management

**IC Composition** The Company's investment committee comprises of five members including the CEO, COO, Risk Officer and two Fund Managers

**Effectiveness** The IC formally meets on fortnightly basis in order to take investment decisions. The composition and performance of the IC is considered adequate. Further strengthening of investment process for consistent fund performance is important.

**Investment Research And Analysis** The research department of the Company only comprises of the Research Officer. The research function is presided by the CEO. The department uses excel based models for equity valuation. Fortifying research function, in line with peers, for larger coverage will bode well for the Company. Furthermore, the Bank's research synergies have also been used for market analysis.

## Customer Relationship

**Investor Services** The Company is providing sound services to its clients. For the ease of investors, the Company has introduced an online chat facility where the investors can ask investment related questions, seek guidance and make a complaint. The Company has launched an online redemption module to facilitate its customers in making online transactions. Currently, AL Habib Asset Management Limited does not have an mobile app facility. However, the Company is in the process to launch it soon.

**Investor Reporting** The AMC publishes FMRs on its website in a timely manner. The website is also used as a reporting platform for dissemination of information pertaining to the Company, its management, NAV history, fund performance, product characteristics and other important announcements.

**Distribution And Sales Network** The Company has a modest distribution and sales network. The Company plans to leverage Bank AL Habib's vast branch network to increase its outreach. Effective utilization of this platform for visibility and AUM growth will determine the Company's ability to increase its market share.

## Performance

**Asset Under Management** AL Habib Asset Management Limited's AUM's significantly increased by 39.5% to PKR 132.5bln at end Mar'24 (Mar'23: PKR 56bln). This growth is predominantly driven by both conventional and Islamic money market categories. Diversifying fund slate to reduce dependence on single fund will be critical, although VPS fund has also been launched on 30-Jun'22. The majority of the funds performed better than the benchmarks and industry averages. The Equity funds of AHAML have beaten entire market by performing better than industry average.

**Asset Manager** The Management fee shown an increase of 175% and was recorded at PKR 270.5mln during 3MCY24 (3MCY23: PKR 98.2mln). The Company reported net profit of PKR 190.6mln in 3MCY23 (3MCY22 : PKR 70.6mln). The Company's equity stood at PKR 1,670mln at end Mar'24 (Dec'23: PKR 1,480mln), comfortably meeting the minimum regulatory capital requirement of capital PKR 230mln.

Fund's Performance | Al-Habib Funds

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR "mln")						Returns   Mar'23 -Mar'24				
				Growth %	Mar'24	Dec'23	Sept'23	Jun'23	Mar'23	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
1	AL Habib Cash Fund	Money Market	27.1%	52.5%	35,976	34,062	32,439	24,870	23,589	22.06%	15.93%	20.98%	6.1%	1.1%
2	AL Habib Islamic Cash Fund	Islamic Money Market	17.6%	76.7%	23,365	20,625	29,427	13,806	13,225	21.20%	18.67%	8.95%	2.5%	12.3%
3	AL Habib Money Market Fund	Money Market	15.0%	300.1%	19,934	19,551	12,625	8,237	4,982	22.06%	15.93%	20.98%	6.1%	1.1%
4	AL Habib Islamic Income Fund	Shariah Compliant Income	4.7%	23.3%	6,296	4,512	5,631	5,149	5,106	21.62%	18.04%	9.02%	3.6%	12.6%
5	AL Habib Islamic Savings Fund	Shariah Compliant Income	11.1%	289.2%	14,722	18,655	7,289	4,407	3,783	22.07%	18.04%	8.84%	4.0%	13.2%
6	AL Habib Income Fund	Income	4.9%	196.2%	6,522	5,902	2,355	2,905	2,202	22.55%	16.71%	22.14%	5.8%	0.4%
7	AL Habib Islamic Stock Fund	Shariah Compliant Equity	0.4%	99.9%	546	535	334	298	273	70.26%	53.30%	62.05%	17.0%	8.2%
8	AL Habib Asset Allocation Fund	Asset Allocation	0.1%	20.6%	125			106	104	54.10%	34.59%	51.64%	19.5%	2.5%
9	AL Habib Stock Fund	Equity	0.3%	259.4%	449	209	141	113	125	72.49%	39.17%	70.04%	33.3%	2.5%
10	AL Habib Islamic Munafa Fund Plan II	Shariah Compliant Fixed Rate / Return	0.3%	-	456	434	414	395	-	-	-	-	-	-
11	AL Habib Islamic Munafa Fund Plan III	Shariah Compliant Fixed Rate / Return	0.0%	-	11					-	-	-	-	-
11	AL Habib Fixed Return Fund Plan 3	Fixed Rate / Return	0.0%	-			-	1,051	-				-	-
12	AL Habib Fixed Return Fund Plan 4	Fixed Rate / Return	0.0%	-			-	668	-				-	-
13	AL Habib Fixed Return Fund Plan 5	Fixed Rate / Return	0.0%	-		825	784	745	-				-	-
12	AL Habib Fixed Return Fund Plan 6	Fixed Rate / Return	1.0%	-	1,283	1,225	1,160	1,109	-	-	-	-	-	-
15	AL Habib Fixed Return Fund Plan 7	Fixed Rate / Return	0.0%	-			-	-	-				-	-
13	AL Habib Fixed Return Fund Plan 8	Fixed Rate / Return	0.2%	-	289					-	-	-	-	-
14	AL Habib Fixed Return Fund Plan 9	Fixed Rate / Return	1.0%	-	1,386					-	-	-	-	-
15	AL Habib Fixed Return Fund Plan 10	Fixed Rate / Return	0.4%	-	590					-	-	-	-	-
16	AL Habib Fixed Return Fund Plan 11	Fixed Rate / Return	2.8%	-	3,776					-	-	-	-	-
17	AL Habib Government Securities Fund	Income	12.2%	-	16,176	13,953				-	-	-	-	-
18	AL Habib Pension Funds	Pension	0.5%	-	656								-	-
Sum/Average:			100%	148.3%	132,558	120,488	92,599	63,858	53,389					



### **Rating Team Statements**

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

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- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
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