



The Pakistan Credit Rating Agency Limited

Rating Report

MCB Investment Management Limited

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Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
04-Oct-2024	AM1	-	Stable	Maintain	-
06-Oct-2023	AM1	-	Stable	Maintain	-
06-Oct-2022	AM1	-	Stable	Maintain	-
06-Oct-2021	AM1	-	Stable	Maintain	-
06-Oct-2020	AM1	-	Stable	Upgrade	-
08-Oct-2019	AM2++	-	Positive	Maintain	-
08-Apr-2019	AM2++	-	Positive	Maintain	-
08-Oct-2018	AM2++	-	Positive	Maintain	-

Rating Rationale and Key Rating Drivers

MCB Investment Management Limited (or the 'Company') is amongst the largest leading players in the asset manager industry, supported by a strong control environment, structured investment processes, good governance framework, and qualified management team. The assigned rating takes into account improvement across key performance areas including investment management, fund performance, and growth & diversity in assets under management. The firm also won three prestigious awards at the Pakistan Digital Awards 2024. With a portfolio of twenty-two open-end mutual funds, two voluntary pension and two KPK employees pension schemes, the Company offers its customers a wide range of products. The growth is expected to continue with management focusing on customer service enrichment. Since FY23, the AUMs base of the Company mounted significantly by ~46% to PKR 224bln as of FY24 (FY23: PKR 153bln), while the industry grew by ~65%, resulting in a market share of 8% in FY24 down from 9% in FY23. The Company has launched multiple plans across Islamic and conventional categories in fixed rate/return segment contributing to the overall AUMs growth of the Company. The funds have shown consistent and good long-term performance compared to peers. The Company has maintained a strong focus on enhancing retail penetration, contributing to enhanced stickiness and longevity in its AUM base. The current AUM composition reflects a retail-to-corporate ratio of 45:55, including HNWIs. The Company's association with MCB Bank Limited – one of the largest commercial banks – and ensuing synergies have supplemented growth. The digital platform is also being strengthened for better retail penetration, enhanced customer services and to create synergies with the parent bank. The profitability of the Company has improved notably in FY24 due to increase in management fee and share of profit from associates standing at PKR ~861mln (FY23: PKR ~378mln). The equity base of the Company is well above the minimum regulatory requirement and stood at ~PKR 1.95bln as at end FY24 (FY23: PKR 1.74bln).

The rating is dependent upon the Company's ability to sustain its market share and upholding strong investment processes and control environment. Meanwhile, consistent performance of funds compared to benchmark and peers is critical. Any sustained downturn in fund performance and/or significant loss in market share will impact the rating.

Disclosure

Name of Rated Entity	MCB Investment Management Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology Rating Modifiers(Apr-24),Assessment Framework Asset Manager Rating(Jun-24)
Related Research	Sector Study Asset Management Companies (AMCs)(Jun-24)
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Asset Management Companies (AMCs)

Profile

Structure MCB Investment Management Limited (MCB Funds or "the Company") is a public listed Company, regulated by the SECP.

Background MCB Funds was incorporated in 2000 as Arif Habib Investment Management Limited and subsequently merged with MCB AMC in 2011, to achieve synergies in asset management business and access to a wider distribution network. Pursuant to the merger of MCB AMC with and into AHIL, the name of AHIL was changed to MCB-Arif Habib Savings and Investments Limited. On April 18, 2023, MCB Bank Limited (MCB), being the parent Company of MCB-AH, has acquired 30.09% shares of MCB-AH from AHCL. By virtue of this transaction, MCB Bank Limited's shareholding in MCB-AH has increased from 51.33% to 81.42% and AHCL no longer holds any shares in MCB-AH. Moreover, the name of the Company has been changed from MCB Arif Habib Savings and Investments Limited to MCB Investment Management Limited.

Market Share The market share of the Company stood at 8% at the end of Jun'24 (Jun'23: 9%).

Diversification Of Fund Mix The Company caters to both conventional and shariah-compliant clientele and is currently managing a diverse product slate of twenty-two open-end funds, two voluntary pension and two KPK employees pension schemes.

Investor Concentration The average top-ten investor's concentration stood at 53% at the end of Jun'24. The average related party holding was 12% of the total AUMs.

Ownership

Ownership Structure The major shareholders of the Company are MCB Bank Limited - 81.42% and Adamjee Insurance Company Limited -7.6%. The general public holds the remaining -11% of the shares.

Business Acumen MCB Bank Limited is one of the oldest and prestigious banks in Pakistan since 1947. The majority stake of the bank is owned by the Nishat Group.

Financial Strength MCB Bank Limited (rated 'AAA') has an asset base of -PKR 2,409bln at the end-Mar'24 accompanied by profit after tax of -PKR 16.6bln. Comfort can be drawn from the strong financial profiles and the support expected by sponsors if needed.

Governance

Board Structure The Company's control vests in an eight-member board of directors, including the CEO. There are four non-executive directors, while three directors are independent.

Members' Profile The Chairperson, Mr. Haroon Rashid besides holding this office also serves at senior positions of several prestigious organizations. The Board comprises of seasoned professionals with vast experience in banking, investments, insurance and technology. Majority of the directors are compliant with Directors Training Program.

Board Effectiveness To ensure an effective control environment and compliance with reporting standards, it has constituted an Audit Committee and HR Committee at the board level.

Transparency MCB Funds has an in-house internal audit department to monitor the internal controls. The external auditors of the Co. are A. F. Ferguson & Co. They have a satisfactory QCR rating and are classified in the 'A' category of the SBP Panel of Auditors.

Management

Organizational Structure MCB Funds has a well-defined organizational structure having departments and sub-departments reporting to independent MAN-COM members.

Management Team The management team of the Company comprises experienced and qualified professionals. The CEO, Mr. Khawaja Khalil brings with him more than 30 years of banking experience. Mr. Khalil has also contributed significantly to Al-Faysal Investment Bank and Faysal Bank Limited during his career. The CIO, Mr. Muhammad Asim, has an industry experience of near two decades. The Company has witnessed a very low turnover rate in the key management positions, resulting in stable management.

Technology Infrastructure MCB Funds has enhanced its technological infrastructure through the MCB Funds SalesApp, digitizing sales processes and integrating industry's first real-time NADRA biometric verification for smoother account openings. The firm also won three prestigious awards at the Pakistan Digital Awards 2024 and secured the highest number of Contributory Pension accounts in collaboration with the KPK government. Investors can now also invest through RAAST and MCB Live.

Control Environment In line with best practices, MCB Funds operates separate Risk Management and Compliance departments, each led by different individuals, ensuring adherence to statutory regulations and internal investment guidelines.

Investment Risk Management

Credit Risk The Risk management department regularly issues investment evaluation reports for debt instruments after conducting a thorough analysis for every collective investment scheme.

Liquidity Profile MCB Funds ensures sufficient liquidity is maintained by investing a significant portion of funds' assets in liquid investment avenues. The risk management department vigilantly monitors the liquidity profile to avoid any mismatch between portfolio allocations and redemption patterns.

Market Risk The Risk management department has developed in-house risk measures to monitor market risk. Different tools and methods are being used to calculate volatility and value-at-risk estimates for marketable securities.

Portfolio Management

IC Composition The Investment Committee comprises the CEO, CIO, head of equity, head of fixed income, Head of Research and respective fund managers.

Effectiveness The Investment Committee reviews the investment strategy of each fund under management and its performance regularly to incorporate the impact of various factors on funds' performance.

Investment Research And Analysis The Company have an in-house research department headed by Mr. Raza Inam, CFA. The research team follows a rigorous framework of top down approach with extensive coverage of macro economy, listed sectors and companies. This is achieved through detailed macro, sectors and companies financial models, which are linked with the research terminal to generate real-time comparisons within and across sectors.

Customer Relationship

Investor Services MCB Funds offers a comprehensive digital platform where customers can monitor investments, perform online transactions, and access 24/7 customer support across various channels, including phone, email, and social media. MCB Funds has adopted Net Promoter Score (NPS) as a metric to ascertain customer sentiments and as per latest NPS score of 61%; the customers have rated MCB Funds as GREAT.

Investor Reporting MCB Funds promptly distributes unit holder statements and publishes Fund Manager Reports, offering insights on macroeconomic trends and reviews of the equity and money markets.

Distribution And Sales Network The Company has a strong distribution network of seven branches across the country and agreements with third-party distributors.

Performance

Asset Under Management The AUMs base increased to PKR 224bln at the end-Jun'24 (Jun'23: PKR 153bln). The overall performance of the funds remained satisfactory and above the benchmark.

Asset Manager The management fee increased by 50% to -PKR 1,566mln during FY24 (FY23: PKR 1,047mln). The PAT increased to -PKR 861mln in FY24 (FY23: -PKR 378mln). The Company's equity stood at -PKR 1.95bln at the end of Jun'24 (Jun'23: PKR 1.74bln).

Fund's Performance MCBIM AMC										
Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR "mln")				Jun'24 - 12 Months Return		12 Months
				Jun'24	Mar'24	Dec'23	Jun'23	Return	Bench.	Fund vs. Bench.
1	MCB Cash Management Optimizer	Money Market	20.8%	46,798	33,798	29,386	58,153	22.2%	20.9%	1.3%
2	Pakistan Cash Management Fund	Money Market	12.0%	26,970	22,225	19,325	17,480	21.9%	20.9%	1.0%
3	Alhamra Islamic Money Market Fund	Shariah Compliant Money Market	9.8%	22,060	18,519	20,963	25,505	21.8%	10.3%	11.5%
4	MCB Pakistan Stock Market Fund	Equity	3.2%	7,216	5,925	5,948	4,821	91.2%	89.2%	1.9%
5	Alhamra Islamic Income Fund	Shariah Compliant Income	5.4%	12,197	11,192	10,440	4,193	20.8%	10.1%	10.7%
6	Pakistan Income Fund	Income	0.8%	1,899	2,079	2,145	2,724	21.5%	24.5%	-3.0%
7	MCB DCF Income Fund	Income	7.3%	16,312	14,105	12,669	7,706	19.9%	24.5%	-4.6%
8	Alhamra Islamic Stock Fund	Shariah Compliant Equity	1.8%	4,045	3,154	3,333	2,453	90.4%	78.7%	11.7%
9	Alhamra Daily Dividend Fund	Shariah Compliant Income	6.7%	14,943	18,821	2,783	2,991	21.1%	10.1%	11.0%
10	Alhamra Islamic Asset Allocation Fund	Shariah Compliant Asset Allocation	0.7%	1,487	1,381	1,551	1,289	80.6%	75.4%	5.2%
11	Pakistan Income Enhancement Fund	Aggressive Fixed Income	2.6%	5,899	6,757	7,572	1,201	20.4%	24.4%	-4.1%
12	MCB Pakistan Asset Allocation Fund	Asset Allocation	0.3%	672	642	639	611	82.8%	76.7%	6.1%
13	MCB Pakistan Sovereign Fund	Income	4.9%	11,082	9,148	11,896	674	21.0%	24.3%	-3.3%
14	Pakistan Capital Market Fund	Balanced	0.2%	520	459	462	333	71.5%	73.0%	-1.4%
15	Alhamra Islamic Active Allocation Fund (Alhamra Smart Portfolio)	Shariah Compliant Fund of Funds	0.1%	139	130	127	115	33.6%	24.8%	8.8%
16	Alhamra Wada Plan (Alhamra Wada Plan VII)	Shariah Compliant Fixed Rate / Return	0.0%		1,887	1,808	2,021			0.0%
17	MCB Pakistan Opportunity Fund (MCB Pakistan Dividend Yield Plan)	Asset Allocation	0.1%	287	385	306	209	94.8%	86.3%	8.5%
18	Alhamra Cash Management Optimizer	Shariah Compliant Money Market	9.7%	21,734	17,852	7,173	4,338	21.7%	10.3%	11.5%
19	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan VII)	Fixed Rate / Return	0.0%				225			0.0%
20	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan X)	Fixed Rate / Return	0.0%			750	676			0.0%
21	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XII)	Fixed Rate / Return	0.0%				6,408			0.0%
22	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XIII)	Fixed Rate / Return	0.0%		5,500	5,255	4,759			0.0%
23	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XIX)	Fixed Rate / Return	1.4%	3,195	3,059					
24	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XVI)	Fixed Rate / Return	2.7%	6,019	5,815	5,571				
25	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XVII)	Fixed Rate / Return	0.5%	1,044	1,060	1,017				
26	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XVIII)	Fixed Rate / Return	1.7%	3,766	3,649	3,512				
27	MCB Pakistan Fixed Return Fund (MCB Pakistan Fixed Return Plan XX)	Fixed Rate / Return	0.0%		1,871		2,021			0.0%
28	Alhamra Wada Plan (Alhamra Wada Plan VIII)	Shariah Compliant Fixed Rate / Return	0.1%	321	318	302				
29	Alhamra Wada Plan (Alhamra Wada Plan IX) (Launch date: Apr'24)	Shariah Compliant Fixed Rate / Return	0.1%	331						
30	Alhamra Wada Plan (Alhamra Wada Plan X)	Shariah Compliant Fixed Rate / Return	0.5%	1,039	1,170	1,114				
31	Alhamra Wada Plan (Alhamra Wada Plan XI)	Shariah Compliant Fixed Rate / Return	0.6%	1,440	2,501	2,409				
32	Alhamra Wada Plan (Alhamra Wada Plan XII) (Launch Date: Mar'24)	Shariah Compliant Fixed Rate / Return	0.0%		1,030					
33	MCB DCF Fixed Return Plan I (Launch date: Apr'24)	Fixed Rate / Return	0.6%	1,254						
34	MCB DCF Fixed Return Plan II (Launch date: May'24)	Fixed Rate / Return	0.6%	1,420						
35	MCB DCF Fixed Return Plan III (Launch date: Jun'24)	Fixed Rate / Return	0.9%	2,007						
36	Alhamra Opportunity Fund (Dividend Strategy Plan) (Launch Date: Feb'24)	Shariah Compliant Equity	0.1%	201	125					
37	Alhamra Government Securities Plan I (Launch Date: Jun'24)	Shariah Compliant Income	0.1%	168						
38	VPS	VPS	3.6%	8,023	6,585	5,822	4,475			
Sum/Average:			100%	224,488	201,142	164,277	155,381			

Asset Manager Rating

An independent opinion on an asset manager's expertise, quality of services and potential vulnerability to investment management and operational challenges

Scale	Definition
AM1	Very high quality. Asset manager meets or exceeds the overall investment management industry best practices and highest benchmarks.
AM2++ AM2+ AM2	High quality. Asset manager meets high investment management industry standards and benchmarks with noted strengths in several of the rating factors.
AM3++ AM3+ AM3	Good quality. Asset manager meets investment management industry standards and benchmarks.
AM4++ AM4+ AM4	Adequate quality. Asset manager demonstrates an adequate organization that meets key investment management industry standards and benchmarks.
AM5	Weak. Asset manager does not meet the minimum investment management industry standards and benchmarks.

<p>Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.</p>	<p>Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the</p>	<p>Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.</p>	<p>Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.</p>	<p>Harmonization A change in rating due to revision in applicable methodology or underlying scale.</p>
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2) Conflict of Interest

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- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

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Conduct of Business

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- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
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- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
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- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (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)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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