



The Pakistan Credit Rating Agency Limited

Rating Report

Alfalah GHP Investment Management Limited

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Rating History					
Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
08-Aug-2020	AM2+	-	Positive	Maintain	-
09-Aug-2019	AM2+	-	Positive	Maintain	-
08-Feb-2019	AM2+	-	Stable	Maintain	-
10-Aug-2018	AM2+	-	Stable	Maintain	-
22-Dec-2017	AM2+	-	Stable	Maintain	-
16-May-2017	AM2+	-	Stable	Upgrade	-
08-Jun-2016	AM2	-	Stable	Harmonize	-
31-Mar-2016	AM2-	-	Stable	Maintain	-
15-Apr-2015	AM2-	-	Stable	Upgrade	-

Rating Rationale and Key Rating Drivers

The rating reflects the Company’s prominent position in the domestic AMC industry, supported by a structured investment process, sound governance structure, proficient and qualified management, and diversified product slate. The Company has also established its presence in the competitive investment advisory domain, supplementing its revenues. The Company has entered into partnership arrangements with AZIMUT and launched an overseas fund to bolster its position. The AUMs of the Company decreased slightly to stand at ~PKR 40,079mln at end Jun’20 (Dec’19: ~PKR 41,973mln). The market share witnessed a decline of 1% as the industry grew at a faster pace with strong competition. However, the Company has recorded growth in July and the management intends to further improve its market share. The management is focusing on strengthening its digital platform for better retail penetration, enhanced customer services and to create synergies with the parent bank. Timely materialization of these initiatives is important. The Company’s product slate is tilted towards fixed income/money market funds. The overall fund performance remained satisfactory with majority funds (mainly Money Market and Fixed Income) outperforming industry average and benchmark with exception of Equity Funds. The Company remained profitable during CY19 with robust capitalization. The rating incorporates the Company's association with Bank Alfalah Limited and potential synergies due to established presence of sponsor banks branch network.

The rating is dependent on the Company’s ability to strengthen its market position along with its peers while sustaining superior fund performance. At the same time, stability in key human resource, structured improvement in risk management framework and success of initiatives to increase retail AUM will remain crucial for the rating.

Disclosure	
Name of Rated Entity	Alfalah GHP Investment Management Limited
Type of Relationship	Solicited
Purpose of the Rating	Asset Manager Rating
Applicable Criteria	Methodology AMC (Jun-20)
Related Research	Sector Study Asset Managers(Jun-20)
Rating Analysts	Afnan Iqbal afnan.iqbal@pacra.com +92-42-35869504



Profile

Structure Alfalah GHP Investment Management Limited (or the "Company") was incorporated on October 18, 2004 as an unlisted public limited company.

Background The Company was established as joint venture Non-Banking Finance Company by Bank Alfalah Limited and GHP Arbitrium. It is registered as an Asset Management Company and Investment adviser under the Non-Banking Finance Companies Regulations by the Securities and Exchange Commission of Pakistan (SECP). The head office of the Company is situated in Karachi.

Market Share The market share of the Company witnessed a decline of ~1% and stood at ~5.2% at end Jun'20 (Dec'19 : ~6.2%)

Diversification Of Fund Mix The Company is currently managing an extensive product slate of fourteen open ended mutual funds in eleven different conventional and shariah compliant categories and two voluntary pension schemes.

Investor Concentration The top 10 mutual fund investor concentration stood at ~39% at end Jun'20 and the average related party holding represents ~18% of total AUMs.

Ownership

Ownership Structure The shareholding of the Company is held by MAB Investments Inc. (~41.7%), Bank Alfalah Limited (~40.2%), GHP Beteiligungen (~14.4%) and Mr. Muhammad Shoaib (4%).

Business Acumen MAB Investment Inc is one of the investment companies of H.H. Sheikh Nahayan bin Mubarak Al Nahayan, a member of the Abu Dhabi Ruling Family. Bank Alfalah Limited is one the largest commercial bank in Pakistan with a network of over 600 branches in more than 200 cities across Pakistan. The bank also has international presence and is owned and operated by the Abu Dhabi Group.

Financial Strength Bank Alfalah Limited has an unconsolidated net assets base of ~PKR 88bln at end Mar'20 accompanied by equity of ~PKR 2.8bln. The long-term credit rating of Bank Alfalah Limited is 'AA+' and the short-term rating is 'A1+'.

Governance

Board Structure The Company's eight-member board comprises the CEO, two representatives of MAB Investments, two representatives of Bank Alfalah Limited and one representative of GHP Beteiligungen. There are five non-executive and two independent directors.

Members' Profile Mr. Dominique Liana Russi is the chairman of the Board. He is MBA from Columbia and has over 20 years of experience in Investment management, Corporate structuring, and national level advisory experience. Overall, the Board members possess strong profile and skills suited to the financial services industry.

Board Effectiveness There are three committees at the board level, (i) Audit Committee, (ii) HR and Remuneration Committee and (iii) Risk Management Committee for effective monitoring and board assistance.

Financial Transparency The internal audit department is outsourced to M/S Deloitte Pakistan for effective monitoring of control systems. The external auditor of the company is M/S EY, which falls in the 'A' category of SBP Panel of Auditors.

Management

Organizational Structure The Company has a well-defined and formalized organizational structure, with appropriate departmentalization. It operates through nine departments, each with its well-defined and specific functions.

Management Team The management team comprises of experienced and qualified professionals. Ms. Maheen Rahman is the Chief Executive Officer, she started her career with Merrill Lynch and has over eighteen years of experience in investment banking, research and asset management. Mr. Noman Soomro is the Chief Operating Officer and a qualified Chartered Accountant from ICAP and carries experience over sixteen years.

Technology Infrastructure The Company has implemented a Unit Management System and ERP Application by Sidat Hyder Morshad and Company Private Limited. The ERP system has separate modules as per the requirement of relevant departments for smooth functioning of operations.

Control Environment The compliance and risk management department is being led by Mr. Shariq Mukhtar Hashmi. The Company has devised detailed policies to ensure compliance with all applicable statutory regulations and internal investment guidelines. The company uses excel based models to monitor the exposure limits and margins.

Investment Risk Management

Credit Risk The Company used excel based credit risk models for credit risk monitoring with focus on qualitative and quantitative analysis. The Company has controls in place to ensure exposure limits.

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

Market Risk For managing market risk, various techniques such as VaR analysis, beta analysis and stress testing are being used. The exposure limits are clearly communicated to portfolio managers along with periodic review of appropriateness of limit structure.

Portfolio Management

IC Composition The investment committee comprises of the Chief Executive Officer, Chief Operating Officer, Chief Investment Officer, Head of Equities, Head of Compliance and Fund Managers.

Effectiveness The investment committee comprises of qualified and experienced professionals. The investment committee meets on weekly basis and reviews the investment strategy of each fund under management and its performance on regular basis to incorporate the impact of market circumstances on funds' performance.

Investment Research And Analysis The research function operates under the supervision of Chief Investment Officer. The department uses various techniques including the fundamental analysis of key sectors and stocks to identify attractive investment avenues. For equity valuation, standard financial models are used and broker research is also considered.

Customer Relationship

Investor Services The Company has provided its investors with an online platform which allows real time access to their accounts. The mobile app of the Company provides various value-added services such as fund NAVs, investment account details and E-transactions. The Company has also integrated the Alfa app to facilitate the account holders of Bank Alfalah.

Investor Reporting The Company disseminates unit holder statement on monthly basis which comprises investment value and asset allocations. The Company disseminates and publishes FMR on its website in a timely manner. The customers are also provided with SMS and e-mail services for transaction alerts and NAV prices alerts.

Distribution And Sales Network The Company has a network of eight investment centers spread across major cities of Pakistan. The Company is focused on to increase its retail customers by capitalizing the well-established branch network of Bank Alfalah.

Performance

Asset Under Management The Company's AUMs stood at ~PKR 40bln at end Jun'20 (Dec'19: ~PKR 42bln). The market share stumbled slightly to stand at ~5.2% at end Jun'20 (Jun'19: 5.9%) as the industry grew at a faster pace with strong competition. The fund performance has improved with around ~fifty percent of the funds performing better than their benchmark and peers except equity category which lagged the benchmark.

Asset Manager The Company reported a profit after tax of ~PKR 87mln for the IHCY20 (SPLY: ~PKR 61mln). The profit is attributable to increase in management fee and dividend income. The equity stood at ~PKR 1bln at end Jun'20, which is well above the minimum capital requirement of PKR 230mln.



The Pakistan Credit Rating Agency Limited

Fund's Performance | Alfalah GHP Investment Management Limited

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR' mn)		Return 12 M Trailing (%) (Jun'19 to Jun'20)			12 M Trailing		Top Ten Investors Concentration	Ranking (Dec'19)/ Stability Rating (Dec'19)
				Jun'20	Jun'19	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.		
1	Alfalah GHP Money Market Fund	Money Market	38.5%	15,413	17,912	12.6%	12.5%	11.7%	0.1%	1.0%	38%	AA+
2	Alfalah GHP Islamic Income Fund	Shariah Compliant Income	23.0%	9,221	2,745	11.6%	10.4%	6.3%	1.1%	5.2%	64%	AA-
3	Alfalah GHP Cash Fund	Money Market	14.0%	5,621	10	12.7%	12.5%	11.7%	0.1%	1.0%	99%	AA
4	Alfalah GHP Islamic Stock Fund	Shariah Compliant Equity	4.7%	1,899	2,062	-1.3%	-1.3%	1.6%	0.0%	-3.0%	65%	-
5	Alfalah GHP Sovereign Fund	Income	3.4%	1,354	824	16.2%	14.3%	12.1%	1.8%	4.1%	54%	AA-
6	Alfalah GHP Stock Fund	Equity	3.1%	1,225	1,490	-3.7%	-1.2%	1.5%	-2.5%	-5.3%	67%	-
7	Alfalah GHP Income Fund	Income	3.0%	1,184	266	14.8%	14.3%	12.2%	0.5%	2.6%	91%	A+
8	Alfalah GHP Value Fund	Asset Allocation	2.1%	832	1,277	0.9%	3.1%	5.8%	-2.1%	-4.9%	59%	-
9	Alfalah GHP Alpha Fund	Equity	1.9%	775	982	-3.4%	-1.2%	1.5%	-2.2%	-4.9%	86%	-
10	Alfalah GHP Islamic Value Fund	Shariah Compliant Asset Allocation	1.9%	747	143.24	-0.4%	5.8%	1.9%	-6.2%	-2.2%	99%	-
11	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Active Allocation Plan II)	Shariah Compliant Fund of Funds	0.9%	350	411	1.3%	4.5%	-1.8%	-3.2%	3.0%	91%	-
12	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Balanced Allocation Plan)	Shariah Compliant Fund of Funds	0.6%	231	368	9.0%	4.5%	6.5%	4.6%	2.5%	62%	-
13	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Moderate Allocation Plan)	Fund of Funds	0.5%	201	257	7.3%	5.6%	9.5%	1.7%	-2.2%	90%	-
14	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Conservative Allocation Plan)	Fund of Funds	0.4%	179	176	9.5%	5.6%	10.9%	3.9%	-1.4%	100%	-
15	Alfalah GHP Prosperity Planning Fund (Alfalah GHP Active Allocation Plan)	Fund of Funds	0.3%	140	158	-0.8%	5.6%	1.7%	-6.3%	-2.4%	100%	-
16	Alfalah GHP Islamic Prosperity Planning Fund (Capital Preservation Plan IV)	Shariah Compliant Fund of Funds - CPPI	0.2%	86	174	7.3%	2.1%	3.3%	5.2%	4.1%	84%	-
17	Alfalah GHP Income Multiplier Fund	Aggressive Fixed Income	0.2%	72	112	15.3%	12.3%	12.3%	3.0%	3.0%	87%	A+
18	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Moderate Allocation Plan)	Shariah Compliant Fund of Funds	0.2%	70	294	5.9%	4.5%	3.2%	1.5%	2.8%	99%	-
19	Alfalah GHP Islamic Prosperity Planning Fund (Alfalah GHP Islamic Active Allocation Plan III)	Shariah Compliant Fund of Funds	0.2%	69	602	1.1%	4.5%	-2.3%	-3.4%	3.4%	94%	-
20	Alfalah GHP Islamic Prosperity Planning Fund (Capital Preservation Plan V)	Shariah Compliant Fund of Funds - CPPI	0.1%	29	56	7.9%	2.1%	4.3%	5.8%	3.7%	99%	-
21	Alfalah GHP Capital Preservation Fund II*	Fund of Funds - CPPI	0.0%	0	1,049	-	-	-	-	-	-	-
22	Voulnary Pension Scheme	VPS	0.8%	332	271	-	-	-	-	-	-	-
Sum/Average:				40,030	31,638	6.2%		5.7%	0.2%	0.5%	81%	

*Fund matured in May'2020.

Asset Manager Rating

An independent opinion on the quality and expertise deployed by an asset management company

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 respective opinion.</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 surveil 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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- 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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- (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 | 18-(d)

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