



## The Pakistan Credit Rating Agency Limited

### Rating Report

## AKD Investment Management Limited

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#### Rating History

Dissemination Date	Long Term Rating	Short Term Rating	Outlook	Action	Rating Watch
27-Jun-2024	AM3++	-	Positive	Maintain	-
27-Jun-2023	AM3++	-	Positive	Maintain	-
30-Jun-2022	AM3++	-	Positive	Maintain	-
08-Feb-2021	AM3++	-	Stable	Maintain	-
08-Feb-2020	AM3++	-	Negative	Maintain	-
09-Aug-2019	AM3++	-	Stable	Maintain	-
08-Feb-2019	AM3++	-	Stable	Maintain	-
10-Aug-2018	AM3++	-	Stable	Maintain	-

#### Rating Rationale and Key Rating Drivers

The assigned rating incorporates AKD Investment Management Limited's ("AKDIML" or the "Company") adequate corporate governance structure and experienced management team. AKDIML is managing an adequate fund slate comprising equity, income, index tracker and money market categories, however, the equity category has a major proportion of total AUMs; on average ~30.9% as of Mar'24. The Company is following a risk-aggressive approach to generate returns. The average market share of the Company fluctuated between 0.3% and 0.4%, during 9MFY24. The Company has strategized to improve its market share by 1) strengthening retail penetration, 2) improving its technological platform, and 3) launching new products. The AMC uses in-house MIS called FundXs, for NAV calculation. At end-Mar'24, the trailing 12-month return showed that the funds' performance in income and money market categories remained above market averages whereas the equity funds remained in line with the peers. Furthermore, in terms of the Performance Ranking of Apr'23, the AKD Cash Fund and AKD Islamic Income Fund of the Company have secured top quartiles, thus supporting the efficacy and proficiency of their research function. The Company is also managing investment advisory portfolios and generating advisory fees which provides strength to the core income. In comparison with 9MFY24, the management fee has decreased by~11.5% and reached PKR ~58.8mln (9MFY23: PKR 65.6mln). However, the Company was able to maintain its profitability due to unrealized gain on investments and a decline in operating expenses. The equity of the Company on the end of Mar'24 stood at PKR ~274mln (Dec'23: PKR 289mln), which is above the minimum capital requirement. Going forward, further diversification in the AUM base among various fund categories along with improvements in the overall operating platform will bode well for the Company.

Augmentation in equity base which currently is close to regulatory requirements would stand imperative to the assigned rating. The positive outlook signifies income fund's performance and capable research team. The Company's ability to successfully execute its business strategy and optimal utilization of its resources and materialization of initiatives into improved market share would remain imperative.

#### Disclosure

<b>Name of Rated Entity</b>	AKD Investment Management Limited
<b>Type of Relationship</b>	Solicited
<b>Purpose of the Rating</b>	Asset Manager Rating
<b>Applicable Criteria</b>	Assessment Framework   Asset Manager Rating(Jun-23),Methodology   Rating Modifiers(Apr-24)
<b>Related Research</b>	Sector Study   Asset Managers(Jun-23)
<b>Rating Analysts</b>	Madiha Sohail   madiha.sohail@pacra.com   +92-42-35869504



# Asset Management Companies (AMCs)

The Pakistan Credit Rating Agency Limited

## Profile

**Structure** AKD Investment Management Limited ("AKDIML" or the "Company") is a public limited unlisted company.

**Background** The Company was incorporated in 2004 and is part of AKD Group. The group specializes in capital markets through its brokerage, investment advisory and asset management.

**Market Share** The current market share of the Company is 0.3% at end Mar'24.

**Diversification Of Fund Mix** The fund slate is composed of 08 open-end funds belonging to all major categories. These include aggressive fixed income, money market, index tracker, equity, shariah compliant equity, shariah compliant money market and shariah compliant income.

**Investor Concentration** The average top 10 investor concentration at end Mar'23 stood at 54% of total AUM's, which represents average redemption pressure.

## Ownership

**Ownership Structure** The Company is a wholly owned subsidiary of AKD Group Holdings (Private) Limited (Formerly: Aqeel Karim Dhedhi Securities (Private) Limited), holding ~99.97% stake in the Company. The remaining shares are held by the four directors and Mr. Faisal Bengali, an ex-CEO of the Company.

**Business Acumen** AKD Group is among the leading business conglomerates in Pakistan. It has decades of experience in the asset management, brokerage, energy and real estate sectors of the Country.

**Financial Strength** The financial strength of the sponsor, the AKD Group Holdings (Private) Limited (rated 'A+'), remains strong due to its diversified profitable businesses.

## Governance

**Board Structure** The Company's board comprises of seven members, including the CEO Mr. Imran Motiwala. Three directors are independent members, two are nonexecutives and two are executives.

**Members' Profile** Mr. Javaid Bashir Sheikh is the Chairman of AKDIML. He holds a degree of MBA Finance, from National University, San Diego California, USA. He has vast experience spread over 24 years in investment banking in Pakistan and has worked on key positions of different banks. He has also several years of overseas work experience in UK in industry at various positions.

**Board Effectiveness** The Board of the Company has the overall responsibility for establishment and oversight of risk management framework. The Board has established two committees, (i) Audit Committee and (ii) Human Resource & Remuneration Committee. The Company has an in-house internal audit department that reports to the Audit Committee.

**Transparency** The Company has reappointed Yousuf Adil Chartered Accountants, classified in 'A' category by SBP, as its statutory auditor for FY24.

## Management

**Organizational Structure** The organizational structure of the Company is well defined and is divided into nine departments that work under the supervision of the CEO. The research and fund management departments reports to the CIO, who in turn, reports to the CEO.

**Management Team** The senior management of the Company comprises qualified and experienced professionals. The COO, Mr. Muhammad Yaqoob, CFA has more than nineteen years of experience. He is supported by an experienced core management team having long association with the Company. Ms. Anum Aqeel Dhedhi, CIO, holds a BSc in Financial Economics from the City University of London, United Kingdom.

**Technology Infrastructure** The Company is currently using an in-house developed asset management application named "FunDXs" as its core business software. The software comprises four modules: 1) Portfolio Management System, 2) Money Market, 3) Unit holder module, and 4) GL Module

**Control Environment** The Company has devised detailed policies for IT, operations, research, investment and risk management. The Company uses a dedicated software, which timely notifies any breach in exposure limit and specified margins.

## Investment Risk Management

**Credit Risk** The Company has developed an internal risk assessment system and mechanism to evaluate the risk of the overall portfolio. Exposure and margin limits are properly defined and controls are in place to ensure the allocation limit. Cash is held only with reputable banks with high quality external credit enhancements.

**Liquidity Profile** The risk management department generates liquidity and redemption risk report for equity funds that shows a list of liquid stocks, which are able to meet heavy redemption under both normal and distress conditions without incurring unacceptable losses or risking damage to the Company's reputation.

**Market Risk** The risk management department follows the internal risk management policies and generates stress testing report as per SECP guidelines. The report takes into account the interest rate volatility affecting the fixed income portfolio of the fund management.

## Portfolio Management

**IC Composition** The Investment Committee of the Company comprises five members, including the CEO, COO, CIO, Manager Risk Management and Fund Manager.

**Effectiveness** The IC formally meets on weekly and on ad-hoc basis in order to make investment decisions and monitor funds performance.

**Investment Research And Analysis** The research department reports directly to the CIO. Currently, Research & Investment department has three members.

## Customer Relationship

**Investor Services** The Company releases its fund manager reports on its web site in a timely manner. Furthermore, the Company is looking forward to partner up with 1-Link to facilitate its investors to make ATM redemption from the country's banks.

**Investor Reporting** The Company's webpage is used as a reporting platform for dissemination of information pertaining to the Company and its funds under management, which includes NAV history, fund performance, product characteristics and other important announcements.

**Distribution And Sales Network** The Company's sales team comprises ten individuals including director corporate and head of retail sales. The head of retail sales is highly focused on retail clients due to which the number of retail investors accounts have increased.

## Performance

**Asset Under Management** The Company's assets under management currently stood at ~PKR 7.3bln at end Mar'24. (Jun'23: PKR 6.4bln). The funds in equity category have shown a declining trend, however, money market and income categories increased during the year. Funds in the income and money market category remained in line with the industry averages and posted returns above benchmarks. Above-average returns of AMC in income and money market category is imperative.

**Asset Manager** In comparison with 9MFY24, the management fee has decreased by~11.5% and reached PKR ~58.8mln (9MFY23: PKR 65.6mln). However, the Company was able to maintain its profitability due to unrealized gain on investments and a decline in operating expenses. The equity of the Company on the end of Mar'24 stood at PKR ~274mln (Dec'23: PKR 289mln), which is above the minimum capital requirement.

Fund's Performance | AKD Investment Management

Sr. No.	Fund Name	Category	Weight (%)	AUMs (PKR "000")				Returns   12Months (Apr'23 to Mar'24)				
				Mar-24	Dec-23	Sep-23	Jun-23	Return	Ind. Avg.	Bench.	Fund vs. Industry	Fund vs. Bench.
1	AKD Islamic Income Fund	Shariah Compliant Income	20.7%	1,520,470	1,630,700	1,606,250	1,308,930	20.72%	18.04%	9.02%	2.7%	11.7%
2	AKD Cash Fund	Money Market	22.5%	1,650,510	1,875,200	2,032,060	1,910,440	22.08%	16.37%	21.00%	5.7%	1.1%
3	Golden Arrow Stock Fund (Formerly: Golden Arrow Selected Stocks Fund)	Equity	20.4%	1,498,450	1,731,800	1,342,730	1,291,620	33.67%	39.17%	67.51%	-5.5%	-33.8%
4	AKD Opportunity Fund	Equity	7.9%	575,970	633,450	583,020	581,550	8.99%	39.17%	67.51%	-30.2%	-58.5%
5	AKD Aggressive Income Fund (Formerly: AKD Income Fund)	Aggressive Fixed Income	9.5%	693,930	671,390	642,460	654,230	11.30%	11.42%	22.31%	-0.1%	-11.0%
6	AKD Index Tracker Fund	Index Tracker	9.3%	680,300	617,190	469,230	422,890	63.64%	63.61%	67.51%	0.0%	-3.9%
7	AKD Islamic Stock Fund	Shariah Compliant Equity	2.6%	192,860	191,280	124,880	104,860	71.14%	53.30%	62.05%	17.8%	9.1%
8	AKD Islamic Daily Dividend Fund	Shariah Compliant Money Market	7.1%	522,890	694,240	183,380	216,510	19.89%	18.67%	9.17%	1.2%	10.7%
<b>Sum/Average:</b>			<b>100%</b>	<b>7,335,380</b>	<b>8,045,250</b>	<b>6,984,010</b>	<b>6,491,030</b>					

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

<p><b>Outlook (Stable, Positive, Negative, Developing)</b> 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><b>Rating Watch</b> 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><b>Suspension</b> 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><b>Withdrawn</b> 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><b>Harmonization</b> 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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- (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)

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