

Technical Partner – IIRA, Bahrain | JV Partner – CRISL, Bangladesh

Report Date: January 21, 2013

Rating	Initial
<b>Management Quality</b>	<b>AM3</b>
<b>Outlook</b>	<b>Stable</b>
Date	Jan 08, 2013

'AM3' (AM-Three) denotes 'Good Management Quality.'

#### **About the Institution:**

Primus Investment Management Limited has been established in 2011 with equity injection from Pak Brunei Investment Company Limited. The company has the license to undertake asset management and investment advisory services. The AMC currently has two funds under management.

**Chairman:** Mr. Khalid Aziz Mirza

**CEO:** Mr. Ahmed Ateeq

#### **Rating Analyst:**

Hina Saleem Mesiya

## **Primus Investment Management Limited**

### **Rating Rationale**

Primus Investment Management Limited (Primus or the AMC) is a wholly owned subsidiary of Pak Brunei Investment Company Limited (PBICL). The AMC is spearheaded by Mr. Ahmed Ateeq; he was previously associated with the treasury department at PBICL. The organizational structure and resource base is in line with current scope of operations. In-house functions of the AMC comprise Finance, Fund Management, Risk and Operations; these areas have been organized as separate departments. Further capacity building in the areas of marketing and fund management is planned to be undertaken as approvals for additional product structures are received; expertise of the current team is primarily in the area of fixed income. Moreover, the AMC may benefit from appointing in-house resources for research. Scope of Risk management activities at Primus will be better tested with greater breadth in product suite. Policy framework in place for investment management and administration is comprehensive and covers key areas of company's present scope of operations.

The AMC currently has two funds under management, Primus Cash Fund (PCF) and Primus Daily Reserve Fund (PDRF). PCF was launched on August 09, 2012 and is structured as a low-risk money market fund. Both the internal investment exposure limits and actual asset allocation of the fund reflect a low-risk profile. The fund has to maintain at least 70% of its net assets in government securities and duration of the fund is capped at 45 days. Return of the fund falls in the third quartile of its peer group. As the duration of the fund cannot exceed 45 days, it has not been able to capitalize fully on the declining trend in interest rates vis-à-vis other funds that can maintain duration of up to 90 days; also the management fee of the fund is on the higher side. Return of the fund, nevertheless, compares favorably to those money market funds that are maintaining duration under 45 days. Relative ranking of the fund vis-à-vis benchmark and peers will be better tested over a longer time horizon. PDRF has been launched in January 2013 and is structured as a money market scheme. To distinguish this fund from other money market funds, management fee of the fund is lowest in the peer group at 0.45%. Funds on the anvil include, commodity, balanced and aggressive income fund. Greater diversity in investment mandates under management will allow a more comprehensive assessment of investment management expertise of Primus.

PCF has attracted net assets of around Rs. 3.1b by end-Nov'12; though number of investors in the fund is limited. Various marketing initiatives are planned to create awareness about the company's brand. The translation of same into the company's ability to tap into a larger investor base will be tested over time. The company plans to rely primarily on external distributors for retail sales.

Four management committees have been established, namely, Investment (IC), Risk, Management and Purchase Committees. Voting members of the IC include CEO, CFO, Head of Risk, Head of Research (*shared resource*) and the Fund Manager. In line with the investment mandate of funds under management, trends in the money market and factors affecting the same are discussed at the IC level. Initial IC meetings also pertained to assignment of responsibility for compiling monthly Fund Manager Reports and tracking of internal exposure limits on a daily basis.

The parent of Primus, PBICL, is a JV between Government of Pakistan and Brunei Investment Agency. PBICL has been operating in the financial sector for around five years and has built sound expertise in the area of financing and investments; financial indicators of the institution are also considered healthy. Support from PBICL for the AMC is evident in various areas; these include; resource-sharing arrangements for five functions, namely Administration & HR, IT, Research, Internal Audit and Compliance; this may facilitate the AMC to contain expenses in its initial years of operations.