

RATING (MARCH 2013)
**BMA ASSET MANAGEMENT
COMPANY LIMITED (BMA
AMC)**

Assets under Management
Amount in PKR mln

Funds	Size	
	Dec-12	Dec-11
Open-end		
BMA Chundrigar Road Saving Fund	507	122
BMA Empress Cash Fund	726	749
Total AUM	1,233	872
System Share	0.33%	0.27%
BMA Pakistan Opportunities Fund	1,896	1,303
SMA	7,607	4,132
Grand Total AUM	10,736	6,307

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RATING RATIONALE AND KEY DRIVERS

- The rating reflects the company's experienced management team, structured investment process and a sizeable penetration in its specific niche of Separately Managed Accounts (SMA). The longevity in client relationship and structure of the SMA mandate is reflective of the strong strength that BMA possesses in this segment. BMA has offshore presence as well and is very active in the international market compared to industry. The management's efforts towards establishing sound systems and controls with a strengthened investor services platform is considered positive. Given nature of its business model, the AUM base of the company is concentrated and poses a high level of redemption risk. However, comfort is drawn from the packaged services that BMA offers and its competitive performance.
- The rating is dependent on the management's ability to sustain its market positioning while delivering competitive performance in funds under management. Diversity in the fund slate through new funds and SMAs remains important. This will help in providing stability to the revenue stream and hence profitability. Moreover, upholding strong governance environment ensuring transparency and fairness is a pre-requisite.

ASSESSMENT

- BMA AMC, incorporated in April 2005 as a public limited company, is licensed to carry out asset management and investment advisory services under the Non-Banking Finance Companies Regulations. The company is a fully owned subsidiary of BMA Capital Management (BMA Capital). BMA Capital is owned by its founding members including BMA AMC's CEO (~13%) and provides financial services through its seven core areas.
- The company's eight member board comprises four representatives of Abraaj Capital and four representatives of BMA including the CEO. Two of the directors representing BMA are independent of the group. Mr. Waqar Hassan Siddiqui, having more than two decades of experience in business strategy and financial consultancy, acts as the chairman of the board. The CEO, Mr. Muddassar M. Malik, an MBA, is a seasoned professional and carries extensive experience in the asset management industry. The company's equity base at end-Dec12 stands at PKR 190mln, which the company expects to increase through internal generation to meet regulatory requirement.
- The company is currently managing two open-end funds i) BMA Empress Cash Fund (BECF) and ii) BMA Chundrigar Road Saving Fund (BCRSF). In addition to that, the company is managing a sizeable portfolio of Separately Managed Accounts (SMA). The investor base of the SMA portfolio mainly comprises the retirement plans of different domestic and multinational corporations alongwith high net worth individuals. Besides, BMA AMC provides investment advisory service to BMA Pakistan Opportunities Fund (POF). POF is an open-end offshore equity fund which aims to bring foreign investment into the country.
- During CY12, the company managed to achieve healthy growth in its two funds under management mainly dominated by BCRSF. The SMA portfolio witnessed substantial increase of 84% primarily attributable to the signing of new mandates. The AUMs in all of the funds under management exhibit concentration with high top10 investor holdings. Similarly, the top three investment mandates account for 74% of the SMA portfolio. The long-term association of these large mandates with the company provides comfort to the underlying risk. During the year, BMA AMC's funds including POF have shown average performance as against its peers while most of the SMA portfolio outperformed their agreed benchmarks.
- The company's sales function comprises two experienced individuals responsible for regular contact with investors, primarily SMA clients. BMA AMC has established arrangement with various third party distributors to channelize growth in its AUMs. However, this is still dominated by BMA Financials, a group company. In addition, the company is utilizing offices of BMA Capital for expanding its retail base. Meanwhile, in order to effectively tap HNW clients, the company has established free lance distributor agreements. Going forward, the management intends to launch a new commodities fund – BMA Precious Metals Fund. Meanwhile, the company plans to increase assets under management in its SMA portfolio through existing and signing new investment mandates. However, the extent of these initiatives for enhancing overall AUM base and diluting high unit holder concentration remain to be seen.
- The management team of BMA AMC comprises experienced and qualified professionals having comparatively long association with the group. BMA AMC follows a well organized investment decision making process and remains in line with the stated investment guidelines. The Investment Committee comprises CEO, CIO, Head of Risk, and Fund Managers (Equity & Fixed Income). The IC meets on a quarterly basis in order to determine the prospective strategic allocation of all the funds under management with respect to the sectors and specific scrips. In addition to that, the quarterly IC evaluates the investment performance. Subsequently, the IC meetings are held fortnightly for analyzing potential investment proposals for the (i) SMA portfolios and (ii) funds under management. BMA AMC has not established a formal and independent research department. Resultantly, the company primarily relies on the relevant sector updates and specific reports formulated by its parent company – BMA Capital. The research reports from different brokerage houses are also discussed. Presently, the functioning of the research department is being primarily undertaken by the fund management department. However, with the expanding SMA portfolio and the company's plans to manage Alternative investments exposures, presence of an independent research department remains crucial.
- The company has an in-house Risk Management Department (RMD). The scope of the RMD is limited to ensure the company's compliance with all applicable regulations and internal investment guidelines. BMA AMC has outsourced the Internal Audit Function (IAD) to Deloitte. The IAD appraises the board's audit committee concerning its findings on a quarterly basis.
- The company has procured – Asset Connect developed by Softech – as core asset management software. BMA AMC has shared IT resources with BMA Capital which recently developed in-house real-time and state of the art software for customer relationship management (CRM) – BIZMATE. During 2012, the company has developed a state of the art – Investor Reporting Module (IRP) – which consolidates the mandates of corporate/individual clients currently held with the group (BMA Capital and BMA Financials) into a single dashboard. The implementation of this module is expected to add transparency to the reporting standard being maintained at the company.