

FITCH AFFIRMS BMCE CAPITAL GESTION'S IMQR AT 'EXCELLENT (MAR)'

Fitch Ratings-Paris-02 February 2018: Fitch Ratings has affirmed BMCE Capital Gestion's (BKG) Investment Management Quality Rating (IMQR) at 'Excellent (mar)'. The Outlook is Stable.

KEY RATING DRIVERS

The rating primarily reflects the discipline of BKG's investment processes within a solid risk management framework, which translates into a track record of robust long-term performance.

The rating also reflects the company's investment resources, characterised by high-quality and stable staff as well as an advanced technological platform. It also reflects a well-established, growing franchise, which benefits from the strategic commitment of BMCE Bank (BB+/Stable). BKG differentiates itself from domestic peers with its technology, client service and staff technical skills, which support the asset manager's recognised innovation capacity.

BKG's 'Excellent (mar)' rating is based on the following category scores:

Investment Process: Excellent

Investment Resources: Excellent

Risk Management: Excellent

Investment Performance: Strong

Company and Client Servicing: Excellent

Investment Process

BKG's investment process is active, committee-driven and based on a robust blend of top-down and bottom-up inputs. Investments are implemented by accountable, increasingly specialised investment professionals in a disciplined manner. Overall, portfolio construction reflects formalised risk-budgeted investment bets relative to benchmarks. Investment decision-making and portfolio monitoring are formalised in committees. The investment process has proven to be stable, with notable enhancements in supporting risk and performance analytics.

BKG follows mainly traditional, benchmark-oriented fixed income strategies, a function of the Moroccan market, but is also active in more sophisticated, niche strategies, which differentiate it from its peers. In Fitch's view, BKG's investment teams have the skills, tools and capacity to manage innovative strategies, but the lack of maturity of the Moroccan market constrains their ability to reach critical mass.

Investment Resources

Experienced and well-staffed teams are maintained throughout the organisation. Investment staff has on average 10 years of experience and six years of company tenure. Some individuals show a higher degree of technical skills compared with the rest of the market. Turnover has remained low in the organisation and senior staff succession planning has been well-managed. This was evident in 2017 when the Head of Investor Relations moved to a new role within BMCE. Simultaneous changes to the organisation, which included the promotion of Chief Investment Officer to a new role of Deputy CEO and the creation of a new institutional division reporting to him directly, are now well-embedded.

Advanced technology provides BKG with a clear competitive advantage. BKG benefits from international-standards portfolio management and a risk technological platform built around Sophis Value. Data-warehouse and a proprietary client relationship management system further support automation and robustness of key processes.

Risk Management

BKG has an effective risk and governance framework that is deeply embedded in the business but which also benefits from independent oversight from risk functions and committees. Documented procedures and controls and formal reporting mechanisms further support the effectiveness of the control environment. Investment and credit risk limits as well as client guidelines are fully set up in the core operating system, Sophis Value. BKG's robust risk control framework allows the company to effectively manage sophisticated products, which are exposed to higher operational and investment risks than the traditional products managed by its peers.

Investment Performance

Overall, BKG's risk-adjusted performance has been strong, relative to peers and benchmarks. Fitch estimates that around 90% of BKG's assets under management (AUM) have outperformed benchmarks, and that two-thirds of the manager's AUM have outperformed peers', over the last three years, net of fees, as at end-December 2017. Furthermore, around 90% of AUM has a better Sharpe ratio (a risk-adjusted measure of performance) and better drawdown statistics than the corresponding Lipper category average over the last three years, as at end December 2017.

Company and Client Servicing

As the third-largest asset manager in Morocco (MAD61.4 billion AUM as at end-December 2017), BKG has a long track record and well-established domestic market presence, supported by BMCE Bank's banking network. BKG outsources IT, risk management well as middle- and back-office functions to other entities of BMCE Group. BKG's profitability, strategic vision and operational agility support the company's development plans.

Reporting to investors, the production of which is automated, provides regular and customised information for all client segments. Furthermore, BKG is well-advanced compared with peers in the digitalisation of its client interface and is seeking to exploit big data to enhance the sales and client service processes.

RATING SENSITIVITIES

The rating may be downgraded on material adverse changes to any of the aforementioned rating drivers, notably through weakened financial conditions, heightened staff turnover or deterioration of processes or risk-adjusted performance

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Additional information is available on www.fitchratings.com

Applicable Criteria

Investment Management Quality Ratings (Assessing Active, Passive & Alternative Investment Managers, Strategies & Funds) (pub. 06 Mar 2017)

<https://www.fitchratings.com/site/re/893989>

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