



Fitch Affirms Wafa Gestion at 'Excellent(mar)'

Fitch Ratings-London-20 December 2018: Fitch Ratings has affirmed Wafa Gestion's Investment Management Quality Rating (IMQR) at 'Excellent (mar)'. The Outlook is Stable.

KEY RATING DRIVERS

The rating reflects a leading, well-staffed asset manager, with well-established and disciplined investment processes. The rating also factors in a sound operational platform, and a rigorous compliance and control environment, which help support the company's clients and product types.

Investment performance remains broadly healthy; however, the amount of funds outperforming peers on a risk-adjusted basis has declined, leading Fitch to revise the Investment Performance score to 'Consistent' from 'Strong'. This change does not affect the overall rating due to Wafa Gestion's continued strength in all other scoring areas and the low weight Fitch assigns to the Investment Performance category in its rating framework.

Wafa Gestion benefits from support provided by the shareholders: AttijariWafa Bank (BB+/Stable) and Amundi (A+/Stable/F1).

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

Investment Process: Excellent

Investment Resources: Excellent

Risk Management: Excellent

Investment Performance: Consistent (from Strong)

Company and Client Servicing: Excellent

Robust Investment Process

It is Fitch's view that Wafa Gestion's investment processes are well-designed and implemented in a disciplined manner. Wafa Gestion follows mainly traditional, benchmark-oriented fixed-income strategies, a function of the Moroccan market. The investment processes feature a combination of top-down and bottom-up fundamentals, mainly proprietary, research inputs. Investment decision-making and portfolio monitoring are formalised in committees. Model portfolio drives portfolio construction, emphasising the diversification of sources of performance, within a well-defined risk framework.

Broad Depth of Resources, Notably in IT

Experienced, skilled and well-staffed teams are maintained throughout the organisation, with additional hires in progress to match business growth. Staff specialisation has been increasing as assets under management (AUM) grow and strategies become more differentiated, particularly in equities and multi-assets. Turnover remains low with replacement hires made where staff has been promoted internally. Wafa Gestion expanded its staff base in 2018 with the addition of a trading desk.

The current IT platform is robust and largely built around Manar, a local third-party system, allowing timely and effective access to portfolio and trade information. Long-term projects aimed at enhancing technological connectivity with third parties and clients and upgrading data management and related reporting capabilities has continued over the past few years and are now integrated into the company's digital strategy. Other projects being currently considered are artificial intelligence within the middle and back-office departments.

Disciplined Risk Management

Wafa Gestion's control framework is sound, in Fitch's view, and has been strengthened over the past two years. Influence of risk and control functions over the business has been growing, in line with management's expectations. Specifically, the creation of new risk committees, the roll-out of new risk monitoring tools (particularly in credit) and wider system-based controls (notably pre-trade controls and constraints modelling) have shown that business risks are adequately addressed.

Positive but Decreasing Investment Outperformance

Fitch has revised Wafa Gestion's score for Investment Performance to 'Consistent' from 'Strong'. While a majority of Wafa Gestion's AUM continues to perform well, the volume of assets outperforming peers on a risk-adjusted basis has reduced over the last three years to end-September 2018. Fitch estimates that around 66% of Wafa Gestion's AUM has a better Sharpe ratio (a risk-adjusted measure of performance) than peer funds; in the corresponding Lipper category average over the three years to September 2018, and 49% of Wafa Gestion's AUM has better drawdown statistics than the corresponding Lipper category over the same period.

Fitch assigns a score of 'Strong' for investment performance only in circumstances in which all risk-adjusted measures demonstrate very high outperformance compared with peers'. Larger managers in Fitch's rated universe, such as Wafa Gestion, tend to have scores of 'Consistent' for Investment Performance, reflecting that the breadth of investment funds or mandates typically corresponds to a breadth of realised investment performance that is closer overall to peer averages.

Leading Moroccan Investment Manager

Created in 1995 and now the largest asset manager in Morocco (MAD105 billion AUM as at end-September 2018), Wafa Gestion has a long track record and strong domestic presence in all key segments of the market. Distribution relies largely on the banking network of AttijariWafa Bank, and to a lesser extent, Credit du Maroc. Wafa Gestion benefits from the support provided by its main shareholder, AttijariWafa Bank, representing 66% of capital, and from Amundi, which owns the remainder.

The company demonstrates sound client service practices and is making substantial investments in client engagement technology.

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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Applicable Criteria

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

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