



## RATING ACTION COMMENTARY

# Fitch Affirms CDG Capital Gestion at 'Excellent(mar)'

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Fitch Ratings - London - 09 Dec 2020: Fitch Ratings has affirmed CDG Capital Gestion's (CKG) National Investment Management Quality Rating (IMQR) at 'Excellent(mar)' with a Stable Outlook.

## KEY RATING DRIVERS

The affirmation of CKG's IMQR reflects the broad stability of CKG's investment and risk processes and the depth of the organisation's investment resources. The 'Excellent(mar)' rating of CKG is driven by its highly disciplined investment process, the strength of its risk-management framework (with CKG being a pioneer in establishing an independent risk-management function in Morocco) and the interaction of its human and technological resources. Fitch has affirmed the score for investment performance in recognition of the high proportion of CKG's funds outperforming peers' on both a nominal and risk-adjusted basis.

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

Investment Process: Excellent

Investment Resources: Excellent

Risk Management: Excellent

Investment Performance: Strong

## Company and Client Servicing: Excellent

### 'Excellent' Investment Process

CKG's investment objectives and strategies are well-defined, focusing on the fixed-income market (91% of assets under management (AUM) as of mid-2020). The investment process is driven by macroeconomic and fundamental considerations. Once the target portfolio is set, the team works on portfolio construction based on a qualitative and quantitative process, including stress tests. Portfolios are monitored during weekly and monthly committees.

### 'Excellent' Investment Resources

CKG had 34 staff in total as of end-September 2020. Staff increased in 2019 and 2020, with four departures and five new joiners. Despite the turnover, CKG's investment capabilities remain intact, reflecting an investment team with one of the longest experience in Morocco. CKG's nine portfolio managers are responsible for a total of 62 funds, resulting in a ratio of portfolio managers-to-funds on par with peers'.

CKG's front office workflows are scalable, with strong middle- and back-office support. The company's main tool is MANAR, a widely used investment software in Morocco. MANAR provides a front-to-back operating system, interfaced with different services and third parties, which allows automation of most tasks. CKG increased its processes and its IT capabilities in order to allow its staff to work remotely and to ensure business continuity during periods of crisis. The asset manager is currently improving its business intelligence capacities to support its investment decision-making process and its client reporting.

### 'Excellent' Risk Management

CKG was one of the first companies to have an independent risk-management team in Morocco. The team monitors the market, credit and operational risks, main international metrics and relevant scenarios. Blocking and non-blocking (alerts) limits are set in the system and an escalation procedure can be initiated if necessary. The compliance and internal control team is in charge of a non-exhaustive list of duties such as fair allocation, personal trading, pre-trades and preventing conflict of interests. Pre-trade controls were automated in 2020 with blocking limits in place. Following the Covid-19 crisis, the risk-management department has been conducting detailed liquidity and market stress tests, respectively on a monthly and quarterly basis.

### 'Strong' Investment Performance

Fitch assesses CKG's investment performance as strong. Fitch estimates that 85% of CKG's AUM have outperformed peers', over the last three years to end-October 2020, based on Association des Sociétés de gestion et Fonds d'Investissement Marocains' performance data. Since 2018, 90% of the AUM outperformed their benchmarks. Moreover, Fitch assesses other relevant factors such as the Sharpe ratio, a risk-adjusted measure of performance, as strong. Sixty per cent of CKG's AUM had a better Sharpe ratio than peers' as of end-October 2020.

### 'Excellent' Company and Client Servicing

CKG's AUM has grown around 5% per year since 2015, compared with the Moroccan market's growth of around 9% per year. Its growth has been driven by partnerships as opposed to an internal banking network. CKG's client service is of high quality, based on a client-focused organisation structure. The company's strong financial stability is supported by high profitability compared with peers'. The company's strategy regarding client servicing focuses on digital transformation.

## **INVESTMENT MANAGER**

CKG is the second-largest asset manager in Morocco with AUM of MAD70 billion (approximately EUR6.5 billion) as at end-September 2020. It was founded in 1997, and, as with most of its peers, has a largely institutional (88%) investor base.

## **RATING SENSITIVITIES**

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The rating is at the highest level and therefore cannot be upgraded.

Factors that could, individually or collectively, lead to negative rating action/downgrade:

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.

## **RATING ACTIONS**

ENTITY/DEBT	RATING		PRIOR
CDG Capital Gestion	National IMQR	Excellent(mar) Rating Outlook Stable	Excellent(mar) Rati Outlook Stable
			A f f i r m e d

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## APPLICABLE CRITERIA

## Investment Management Quality Ratings (Assessing Active, Passive & Alternative Investment Managers, Strategies & Funds) (pub. 25 Feb 2020)

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CDG Capital Gestion

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